

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

EVALUATION OF IESC ACTIVITIES

**FUNDED BY AN AID COOPERATIVE AGREEMENT UNDER THE
MOROCCO PRIVATE SECTOR EXPORT PROMOTION PROJECT**

(608-0189)

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Without this assistance, the mission which took seven weeks would have taken far longer.

EXECUTIVE SUMMARY

This is an evaluation, performed in November 1991, of IESC activities funded under USAID Morocco's Private Sector Export Promotion Project (No.608-0189) covering the period July 1986 to September 1991.

The project had three components, all aimed at increasing exports by the private sector. IESC was asked to address one of those components through a Cooperative Agreement, "...to improve the export production and marketing capacity of beneficiary firms, to stimulate the development of joint ventures between the Moroccan and foreign private sectors, especially the U.S. private sector, and to develop Moroccan private sector export trade, primarily toward North America."

The Cooperative Agreement was funded at \$4,040,000 to pay for about 130 traditional IESC Volunteer Executive (VE) projects to assist specific Moroccan firms to expand export production and marketing, and also to assist the Moroccan Government's export promotion agency (CMPE) provide services to the export sector. The project (and the IESC Cooperative Agreement) was amended in 1989 to drop support for CMPE and instead, to inaugurate an independent Trade and Investment Services (TIS) program to generate private sector exports toward North American markets and to stimulate joint ventures. AID Washington's Bureau for Private Enterprise contributed \$166,000 to fund the initial start-up costs of the TIS program.

The purpose of this end-of-project evaluation was to measure the impact of the IESC managed VE and TIS programs on increased exports, income, investment, factory level production and plant utilization, and job creation. The evaluation was also intended to provide guidance to USAID in structuring a follow-on activity utilizing the resources of IESC to support private sector development in Morocco during the period 1992 to 1997.

Company data was collected by surveying a sample of 52 clients out of 100 completed VE projects and 15 out of the 22 company clients of the TIS program. Company specific performance data was also obtained from the Moroccan Ministry of Commerce.

Findings and Conclusions

The project has been highly relevant to Morocco's needs. The Moroccan policy framework for export promotion improved during the life of the project. The project purpose has taken on greater relevance as Moroccan exporters come under increased pressure to locate and penetrate new markets since they will face increased import restrictions from their traditional markets when the European Economic Community is formed, beginning in 1992.

Except for the project output dealing with institutional development of CMPE, all project output targets will have been achieved by project end. The Export Production and Marketing Assistance component of the project probably has achieved at least as much as the original design, amended in 1989, intended.

Impact of the VE Program

Overall, one cannot draw a positive conclusion about the effectiveness of the VE program. 100 American Volunteer Executives have worked with a large segment of the Moroccan industrial producers and exporters over the past 5 years. There are a few outstanding success stories, some with large and direct benefits to the firm, and indirect benefits to the economy. But overall impact is not evident or statistically verifiable.

One reason for the less than optimum impact is that IESC management did not exercise adequate controls to resolve individual problems as they arose. Lack of continuity in the IESC management due

to the turnover of six Country Directors in the relevant five year period has had negative effects on the program. The lack of continual day-to-day management of an acceptable normal quality is the single most important cause of the sub-standard program impact. This has resulted in little follow-through on VE recommendations by the clients. Sound management of these functions might have yielded a higher return on the rather substantial USAID investment in this program.

The problems of IESC program management were the worse confounded because USAID attempted to overcontrol the management of the activity. USAID's efforts to overcontrol conspired with IESC's management weaknesses to divert the creative energies of both away from important program issues and onto administrative matters. A loss of confidence by each party in the other resulted, causing the impact of the project to suffer.

Lack of official organizational status for IESC has not been a major factor in reducing IESC effectiveness, although it has added to costs and has caused inconvenience.

Impact of the TIS Program

The investment of about \$900,000 to date by USAID to fund TIS for the past 27 months, in addition to the PRE funding of \$166,000 for start-up efforts, places this activity among the most effective private sector export promotion efforts on record. As of September 30, 1991, TIS can document 22 exporters who have been assisted in obtaining firm, valid export orders (not all, as yet, shipped) in the aggregate amount of \$ 6,558,333 to the U.S. under this program.

The survey data suggests that the Moroccan producer perceives TIS' most important contribution was the contacts and referrals provided to them to U.S. importers/brokers and the credibility which they derived from association with TIS in dealing with the U.S. broker.

TIS clients do not perceive TIS as having played a major role in their investment decisions. But the observed reality indicates that TIS has indeed generated new investment by its clients, and seems to be close to achieving two joint ventures. We also believe the new export flows to the U.S. derived from the TIS program are reaching backwards to impact on other segments of the Moroccan industry.

TIS is performing the services and covering costs that are characteristic of "entry costs" to penetrate a new market. Only after a sufficiently large flow of product has been established, will the normal brokerage commission sustain interest by the broker and TIS assistance will no longer be required.

It is not clear that client fees would serve any useful purpose for the program. Additionally, it may expose both IESC and USAID to claims for damages from dissatisfied Moroccan clients if the fee is perceived to place obligations or liabilities on TIS for participation in the transactions.

Recommendations Pertaining to the Remainder of Operations Under the Current Cooperative Agreement

(a) The current Cooperative Agreement should be revised as quickly as possible to:

- (i) eliminate the spending limit on administrative costs;
- (ii) eliminate the requirement for TIS to charge fees to TIS clients;
- (iii) eliminate restrictions on IESC flexibility to resolve VE project problems (i.e., replace unsuitable VEs, waive client fees for follow-on VE projects when needed to resolve past problems, etc.)

(b) Improved accounting systems should be introduced in the IESC Casablanca office so as to restore confidence by USAID that the funds are being used for their intended purposes.

(c) IESC should immediately take remedial action to improve its management of the VE program before, during and after specific interventions. It should:

- (i) monitor projects now being implemented in a more satisfactory manner to get the most benefit out of each VE;
- (ii) organize project related information in a systematic manner on its computer facility;
- (iii) pursue its future marketing efforts with a view to avoiding the problems identified in this evaluation report;
- (iv) organize a retrospective follow-up effort, particularly for projects completed within the past 18 months, and take corrective action to ameliorate client perceptions of dissatisfaction.

(f) TIS should utilize its U.S. link to establish a flow of international market and technology information into its Casablanca office, and to distribute such information to the export community. It might also feed back to its Stamford office, information about new investments contemplated by TIS clients, so that U.S. suppliers might be informed and invited to compete for the business.

Recommendations and Guidance Pertaining to USAID Plans for the Program's Continuation -1992 to 1997

The structure of the present Cooperative Agreement requires considerable modification to allow for optimum employment of IESC resources to meet USAID program objectives. With TIS having shown itself to be such a high impact program, it should form the central thrust of the new project. USAID should now build around its success.

The VE and TIS activity should be made to be mutually supportive, and focussed in support of the TIS program, thereby enhancing its overall effectiveness. IESC has a talent pool that can serve export producers' needs. The various IESC services (i.e., ABLE), when effectively managed and applied in concert, can make major impact on the growth of Morocco's private export sector.

The scale of the IESC operation for the next five years should be reconsidered. It may be feasible to expand the program, the staff in Casablanca and Stamford, and bring about a more rapid rate of Moroccan export expansion and venture stimulation. Most likely, the level of funding needed to achieve the desired goals within five years will be in the nine to ten million dollar range.

TIS should not be seen to be a permanent institution, but rather a valid, useful temporary service providing information and contacts during the interim period when Morocco's export sector needs to quickly learn how to enter the North American markets.

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I. PURPOSE AND SCOPE OF EVALUATION

A full description of the "Scope of Work" for this evaluation is attached to this report (Appendix A). This section summarizes that document.

A - This is the final evaluation of IESC services in Morocco for the period 1986 to 1991, funded under Project 608-0189. It covers the traditional Volunteer Executives (VE) Program and the Trade and Investment Service (TIS) Program and is intended to fulfill the requirements of the USAID Cooperative Agreement with IESC, covering the aforementioned period, for an "impact evaluation".

Additionally, the evaluation is intended to provide guidance to USAID with respect to the design of a follow-on project to continue these two IESC-managed activities for the period 1992 to 1997.

B - The impact analysis is designed to measure the tangible results of each program on increased exports, investment, production, increased factory utilization, employment and other registers of performance. A "Firm Level Survey" of approximately 50% of the firms assisted by the VE program and 50% of firms assisted by the TIS program was to have been conducted to measure such impact. Additionally, the evaluation was to analyze Moroccan private sector demand for VE and TIS services, company activities traceable to decisions to implement IESC recommendations, and to seek to identify characteristics of firms that benefit from IESC interventions.

C - Comparative statistical analysis of the results of the Firm Level Survey with Moroccan national accounts statistics was to yield information on the discernable impacts of the IESC assistance.

D - The analysis of costs and cost-effectiveness was to identify with precision the total costs of the VE and TIS programs, including the sources of funds and in-kind contributions, and measure cost-effectiveness. The evaluation was also to examine the structure of client fees charged for different services and make judgements about their adequacy. A best estimate of benefit/cost ratios for the two programs was to be made.

E - The evaluation was also to describe in detail the step-by-step process of the TIS approach to export and investment promotion.

F - Finally, the evaluation was to measure the degree to which the program has achieved the overall objectives of the original project.

G - Miscellaneous requirements of the scope of work included, 1) Review new Project Paper and suggest new strategies and recommendations as required, 2) prepare a draft AID Standard Evaluation Summary, and 3) update the Logframe.

II. THE CONTEXT FOR THE PROGRAM - MOROCCO'S ECONOMY, 1986 TO 1991

The Government of Morocco undertook policy reforms during the early 1980s to shift its development strategy from import substitution and direct public sector intervention in the markets, to export-stimulated growth and greater reliance on market forces. As Morocco's economic reform program gained momentum during the 1980s, so did its export performance. By 1986, exports reached a level of 22 billion Dh. By 1990, exports totaled almost 35 billion Dh. (\$3.9 billion), representing almost a threefold increase over the 1981 export level. The major sectors which experienced rapid growth were agro-industry, textiles, mechanical/metallurgicals and electric/electronics.

USAID's program focus on export promotion was based on Morocco's need for increased foreign exchange earnings and the consideration that Moroccan exports to the U.S. represents only 2% of its global exports. Morocco suffers from a vast imbalance of trade with the U.S. One important guide to the project design was the Coopers and Lybrand study of Morocco's export manufacturing industry (November 1984).

The project purpose for Project 608-0189 is "to increase exports by Morocco's private sector". Its sub-purpose for the export assistance component, as amplified by Project Paper Supplement No. 1, dated July 1989, is:

- "- to improve the export production and marketing capacity of beneficiary firms;
- "- to improve the capacity of the Moroccan Center for Export Promotion to service private exporters; and
- "- to stimulate the development of joint ventures between the Moroccan and foreign private sectors, especially the U.S. private sector, and to develop Moroccan private sector export trade, primarily toward North America."

The project outputs for the relevant components, as revised by Project Paper Supplement No. 1, were:

- "1. Management and technical skills will be improved in approximately 130 firms assisted by the IESC.
- "2. Improved information and services will be provided by the CMPE.

- "3. Studies and activities supporting export promotion will be undertaken.
- "4. 1-3 joint type ventures completed between Moroccan and U.S. private sectors.
- "5. \$2-4 million in Moroccan exports developed."

The table below describes Morocco's industrial sector by size of firm in terms of the number of employees.

Table
Industrial Companies by Number of Employees
for 1990

(COLUMNS 4 to 7 in 100.000 DIRHAM)

<u>1</u> <u># of</u> <u>Employees</u>	<u>2</u> <u># of</u> <u>Firms</u>	<u>3</u> <u>Person-</u> <u>nel</u>	<u>4</u> <u>Person-</u> <u>nel Cost</u>	<u>5</u> <u>Pro-</u> <u>duction</u>	<u>6</u> <u>Export-</u> <u>ation</u>	<u>7</u> <u>Invest-</u> <u>ment</u>
0 to 9	1740	14394	439	1903	323	460
10 to 49	2492	82767	1639	15274	2859	1002
50 to 99	713	66293	1469	13111	2462	759
100 to 199	440	77440	2023	17455	3828	1054
200 to 499	276	104214	2953	28541	6014	1814
500 +	<u>69</u>	<u>69304</u>	<u>2393</u>	<u>25296</u>	<u>10254</u>	<u>1465</u>
Total	5730	414112	10917	103582	25742	6556

Totals may not add due to rounding.

As of end 1990, the largest 785 firms (those with more than 100 employees) represent less than 14% of the total universe of 5,730 establishments, but employ 61% of industrial employees, and contribute 70% to production, 78% to exports and 66% to investment. By adding the 713 firms with 50 to 100 employees to

that group, we have less than 1,500 firms that account for 77% of employment, 83% of production, 88% of exports and 78% of investment. Clearly, these are the firms that offer Morocco the greatest opportunity for fast export growth.

The project and the IESC Cooperative Agreement, approved in 1986, responded to Morocco's new policies for export growth. USAID's current development strategy in Morocco continues to support the Government's economic liberalization policy. The FY 1992 Congressional Presentation indicates that program resources will continue to support activities to strengthen the private sector and enhance the role of free markets.

As will be discussed in our findings of the impact survey, there are strong indications that Moroccan producers perceive the domestic commercial environment to be improving. Those exporters who have traditional ties to European markets are also worried that they will be shut out of the European Community after 1992 and are searching for new markets, particularly North America. This will require new trade links to untested markets and an image of reliability as an international supplier.

The play of these economic forces has relevance for this project and for USAID's export promotion efforts. Moreover, USAID's strategy to direct the larger Moroccan firms into the international marketplace, and thereby into a more competitive environment than the more protected domestic market (where they may have a monopolistic or at least dominant position), probably contributes to some important social goals as well. Companies that operate competitively in the international markets and derive an increasing proportion of their earnings from international sales will be less likely to perpetuate their focus on protecting their dominant position in the domestic market. These companies are likely to transfer their newly learned international business practices to their domestic operations.

III. DESCRIPTION OF IESC ACTIVITIES IN MOROCCO

According to the Cooperative Agreement, signed in 1986, IESC established a modest operation in 1985 to make available to private Moroccan manufacturers, access to IESC's pool of U.S. retired executives who offer their services on a volunteer basis for periods of one to three months. The start-up costs for this effort were met by A.I.D.'s centrally funded Core Grant, with small contributions from USAID Morocco and the clients who were being served by the program. In 1985, 19 projects were developed by IESC and approved for USAID funding.

In late 1985, IESC assigned Boris Sokoloff to Morocco as Country Director to develop a 5-year Cooperative Agreement together with the USAID Mission, covering services for the period 1986 to 1991, as part of the Private Sector Export

Promotion Project. As a result of the IESC link to the Export Promotion Project, the VE program was focussed on export producers and marketers.

The Export Production and Marketing Assistance component of the project, funded at \$2.8 million and assigned to IESC for implementation, had three distinct parts:

- A long term export adviser assigned to CMPE whose primary objective was to upgrade the capabilities of that institution to promote Moroccan exports;
- Firm-specific assistance in production and/or marketing, and export marketing assistance to groups of firms and associations (estimated to total 130 programs); and
- Management of an Export Development Fund to respond to Government of Morocco requests to USAID for assistance in specific export development activities.

IESC was selected to implement these activities through a Cooperative Agreement that incorporated a number of restrictions on IESC actions requiring USAID concurrence as well as extensive reporting requirements by which USAID/Morocco maintained an unusual amount of control over program implementation.

In the course of project implementation one major design change was made by IESC and USAID. After the two-year contract with the long term adviser to CMPE expired in 1988, it was concluded that "... only a small percentage of CMPE's effort was actually directed to export promotion, due to the heavy bureaucratic burdens which severely limit CMPE's effectiveness....", and that an export promotion activity managed directly by IESC without involvement of CMPE would be more effective. Therefore, the Cooperative Agreement with IESC was amended in 1989 to discontinue the long-term adviser to CMPE, to add the Trade and Investment Service program (TIS) and to provide funding in the amount of \$1.5 million for that new activity. The person who filled the position of long term adviser to CMPE was placed in charge of the new TIS operation.

The original amount provided for the VE program was reduced by \$220,000. Later, an additional \$40,000 was taken from the IESC allocation to fund the present evaluation. This brought the total funding under the Cooperative Agreement to \$4,040,000. Finally, due to slower than expected implementation, total project funding was found to be adequate to continue the programs for an additional year and the Cooperative Agreement's completion date was extended to June 1992.

A) The VE Program, 1986 to 1991

According to the Cooperative Agreement, a total of approximately 130 export production projects were to be completed by IESC during the life of the agreement in addition to 18 export marketing projects.

The mid-term evaluation indicated that 72 VE projects had been completed as of March 29, 1990.

As of June 20, 1991, IESC had billed USAID for 84 export production and 11 export marketing projects, these having been completed. An additional five production projects were completed by September 30, 1991. As of the time of this evaluation there were about 25 VE production projects that are scheduled to be completed by June 30, 1992, the end of the Cooperative Agreement, which would bring the total number of VE projects to approximately 125.

The annual project levels completed was as follows:

Year	Production projects	Marketing Projects	Total
1986	2	0	2
1987	18	6	24
1988	22	4	26
1989	17	1	18
1990	19	0	19
1991 (to 9/30)	11	0	11
	----	----	----
Total	89	11	100

See Appendix G for project listing.

This evaluation's "Firm Level Impact Survey" covers a sample of 52 VE projects provided to 45 firms. The sample is comprised of:

8	food industry projects
10	textile projects
5	garment projects
1	leather project
6	paper product projects
2	metal works projects
1	electrical project
14	chemical projects
5	miscellaneous manufacturing and trade projects.

The IESC data on geographic distribution of the 84 projects completed before June 1991 indicates that:

- 56 projects were located in Casablanca or the Casablanca area;
- 14 were located in Fes and Meknes;
- 5 in Tangier, Larache and Tetouan;
- 5 in the Marrakech, Agadir and Essaouira areas.

These data are somewhat deceiving, however, since most large companies have a headquarters office located in Casablanca, while the factory, at which the VE might have been working, could be located in other cities. Thus, a number of projects indicate Casablanca as the locus, while the activity of the VE was actually located elsewhere.

The explanation of methodology for sample selection is included in Appendix B.

B) The TIS Program, 1989 to 1991

In August, 1988 AID's Office for Private Enterprise (PRE) authorized a grant to IESC under a cooperative agreement (PDC 0013-A-00-8160-00) in the amount of \$650,000 to encourage export and investment activities in four countries. One of these countries was Morocco. The PRE grant allowed IESC to begin mobilizing its TIS operation in Morocco even before USAID Morocco approved the new activity funded under its own cooperative agreement.

The PRE/TIS grant provided for the cost of a project officer and other office support activity in the United States. Specifically, money was used to cover salary, accounting support, executive support, rent, communication and other normal costs associated with operating an office in the United States. Funds also covered staff travel, promotion, training and US outreach efforts including newsletters and articles. The total PRE/TIS funds expended by TIS Morocco from 1988 through December 31, 1991 were \$166,137.47.

The former long-term adviser to CMPE, David Sullivan, was given a mandate to establish the Trade and Investment Service (TIS) based on an action plan, developed by him in 1988. It drew upon his and other studies and analyses of Morocco's export sector and its potential to enter the North American markets. Appendix I to Mr. Sullivan's Annual Report to USAID dated 17 December 1987, identifies 13 exportable Moroccan products which "... suffer mainly from inadequate marketing effort.... (cork, leather products, marble, sardine/mackerel, olives, olive oil, tomato paste, pimento, cut fresh flowers, handmade rugs, artisanal, and automobile parts)." The strategy seems to have been to focus on the most easily exportable things first, to bring willing buyer and willing seller

together, and to intervene to the minimum extent necessary to help the seller to meet the buyer's requirements, "close the deal" and go on to other deals.

The TIS structure required a small (three professionals) activist unit in Morocco balanced by another activist unit in the U.S. (two professionals), located at IESC headquarters in Stamford, Connecticut. Both units were managed directly by Mr. Sullivan. These two units act as the two piers of a suspension bridge, allowing rapid traffic (communications, personnel and sample goods) to move in both directions. IESC's business support programs (i.e., ABLE), its network of volunteer executives and its access to the U.S. private sector, not only to manufacturers, but also to importers and international trade brokers, were used to locate the technologies, the sources of market information and the contacts needed to link the Moroccan producer or exporter with whatever was needed to make him capable to sell to the U.S. markets.

Based on the work performed by the CMPE adviser during his assignment in 1986 to 1988, ten product lines of the Moroccan private sector were selected for short (two-week) surveys, to identify those companies that could meet U.S. specifications and were willing to adapt their product to the market. The surveys, staggered during the first two years of the TIS operation, covered the following sectors: olives, artisanals, essential oils, processed fruits and vegetables, hand-made carpets, tourism, herbs and spices, fresh and frozen seafood, and agro-industrial investment. Ten VEs were brought out to perform these surveys. Each looked at about 10 to 15 companies in their selected sector. In addition, TIS staff made contacts with other companies for a total of 275 companies contacted. Each survey was specifically designed to identify the two or three producers that were close to being ready to export, in terms of their production capability, exportability of product line and their attitude. The VEs and TIS used their U.S. industry contacts to open doors for these Moroccan producers.

TIS then located five U.S. "marketing associates" (these were U.S. importers or brokers who were actively engaged in the business of international trade and who specialized in the product lines which TIS had identified and tentatively selected for concentration) to visit Morocco, for the purpose of exploring the feasibility of buying. The visits of two of these marketing associates were funded by TIS. One, a specialist in fresh/frozen fish, did not make any purchases because U.S. prices were lower than those in other markets. The other four marketing associates screened those companies that had been identified by the sector surveys, selected those that offered the best potential for sustained export production and showed them what they had to do to export. Deals for trial shipments were made and export trading began.

It is interesting to note that the fundamental arrangement between TIS and those U.S. experts or marketing associates whom TIS selected to visit Morocco was for

TIS to pay only per diem in Morocco and international travel. TIS did not pay fees or salary to these persons. Thus, the status of these persons was about the same as those of an IESC Volunteer Executive. In a number of instances, TIS arranged for the marketing associate's first trip to Morocco to be made without any TIS contribution. Only after the U.S. trader demonstrated that he could make a satisfactory program contribution did TIS agree to designate him as a marketing associate and fund the out of pocket costs of the visits.

In many instances TIS staff had to intervene as a facilitating communications link, as well as to respond to telex requests from the marketing associates, to resolve shipping, quality or other problems. A large effort was made by TIS staff to explain market requirements and persuade producers to invest in new equipment to adapt their product to U.S. specifications.

The initiative for the TIS operation has always lain with TIS itself. Its staff was the generator of interest, by performing product surveys. It sought out the producers, and also the marketing associates.

It is important to understand that screening, selectivity and deal making are the underpinnings of the TIS approach. TIS screened Moroccan producers to find the few firms that had the capability to become major suppliers for the U.S. market. These firms were then winnowed down by TIS, through trial shipments, until the most capable, the ones most willing to invest and adapt to the market needs, were linked together with the marketing associates that were prepared to move product. We may refer to all of the producers who were invited to work with TIS as "TIS Clients" because they made trial shipments. But they are only clients in the sense that they were given an equal opportunity by TIS to make their deal in the international marketplace.

TIS staff does not consider that it has commitments to "clients" who did not succeed in making a long-term deal or whose trial shipments did not pan out. Nevertheless, the TIS efforts do generate demonstration effects and facilitate information flows which allow other producers to modernize, adapt to international market requirements, and locate buyers in the U.S. (see discussion on impact, below).

Once the flow of goods from a TIS client gets on a firm footing, TIS will withdraw its financial support to the marketing associate. That decision is based on the volume of goods shipped and the resultant stream of commission earnings of the marketing associate, and whether TIS judges these earnings to be adequate to maintain continued marketing associate interest in Morocco's products.

The key ingredients contributed by TIS to the Moroccan export promotion effort are to identify and then link potential buyers and sellers, and to provide practical

market information to Moroccan producers which will impact on their production process by adapting product to market need. Additionally, TIS staff acts as an expeditor to get Moroccan producers to perform shipments in accordance with generally accepted international trade practices, particularly U.S. practices.

Another way to describe the various functions performed by TIS is to group them under the umbrella of "entry costs" for penetration of new markets. TIS provides credibility for both buyer and seller to the other party. It reduces the risks for Moroccan producers in conducting market searches, trial shipments, innovation, etc. associated with entry into the relatively unfamiliar North American markets. It encourages export and venture deals to the point of closure. It reduces the time lags for entrepreneurs to export new products that may or may not eventually have been exported without the program.

Initial strategy was to take product lines in which an exportable surplus existed or to develop new products that were non-traditional offshoots of traditional Moroccan exports (e.g., sliced olives) and therefore were easily understood by Moroccan producers. One TIS got a Moroccan anchovy producer to shift his production and sale of anchovies in bulk to Spain, to producing anchovies in cans for the U.S. market, a fourfold higher value added product (\$100,000 per container).

As will be discussed in the section below dealing with impact of the program, some new investment resulted, and some joint ventures are now on the horizon. The product lines which, to date, have succeeded in reaching the trial shipment stage are new forms of olives (pitted, black, sliced), olive oil, capers, pickles, peeled tomatoes, dried tomatoes, anchovies, wild onions, and pottery. In the case of olives, olive oil, sardines and anchovies, some major penetration of the U.S. market occurred.

Climatic conditions in Morocco are similar to those found in southern Spain, Italy or California. It is the TIS staff's view that future products to be developed may be anything that grows in these areas (artichokes, pimentos, etc.) since Morocco may well have a competitive edge.

Consideration is being given to pursuit of a tourism promotion effort.

IV. IMPACT OF THE VE PROGRAM

In an attempt to discern and measure the impact of the VE program, the evaluation effort used three approaches. These were:

- A. Case studies of some particularly successful VE interventions;
- B. A qualitative survey of a large sample (52 out of 89 export production projects) of IESC-assisted firms; and
- C. A quantitative statistical analysis of 60 IESC-assisted firms.

These three approaches, which attempted to identify program impact, were backed up by an institutional analysis of the IESC VE delivery system for Morocco, including the Stamford and Casablanca based components.

A. The Case Studies.

As is indicated in section IV B below, describing our analysis of the sample survey findings, about 40% of the 100 completed VE programs might be classified as having been successful. The following five case studies fall into that category. There may be an additional 35 such success stories among the 100 VE projects that resulted from IESC's five year effort in Morocco.

1. Company ABC: Product and Market Development/Energy Saving/New Company Creation

Since February 1988, Company ABC, a well established wool/wool blends manufacturing plant in Meknes, has received four IESC VE missions, including two visits by the same VE. Assistance was brought in such areas as production management restructuring, quality control, product development and energy conservation. On all counts, Company ABC provided derived substantial benefits which contributed to strengthening its position as one of the leaders in this industry in Morocco, as well as boosting its export development.

A measurable impact is in energy conservation, where the VE's energy audit and recommendations led to a 30% saving on the fuel bill, and a 12% savings of the Company ABC's total energy bill (in constant terms), representing Dh 400.000 (\$50,000) per year through direct saving and better energy distribution.

Numerous suggestions on the production of the operation by the VEs, as well as the introduction of a cost-accounting system, investment in new equipment (in fact, second hand finishing machinery bought from Europe) led to a thorough production restructuring. This involved a work-flow reorganization into five independent units (Weaving, Spinning, Worsted Spinning, Finishing and

Maintenance) - independently managed. This rationalization of production had another spin off in terms of private sector development and company creation. Under VE technical input, Company ABC's maintenance service unit was developed into an independent private company, which now is providing maintenance service at large to the industry. Some of Company ABC's former employees have become partners in the subsidiary.

Product development of worsted fabric has been significant. The company's worsted fabric now represents 45% of production up from 5% prior to the assistance.

The development of higher value fabric has contributed to multiplied exports. Company ABC exports are doubling every year, from about Dh. 14 million in 1989, to Dh. 30 million in 1990, and Dh. 60 million in 1991. Projection for 1992 are in the Dh. 100 million range.

Perfect VE profiles and judicious organization of the VE missions, enabling Company ABC to maximize benefits from the VE, were key elements in this success.

2. Company DEF: Product Improvement, Market Development

Company DEF, a producer of canned and frozen fruit and vegetables, preserves and fruit juices, received IESC VE assistance in 1988. The request was precise: quality improvement for its preserves. In addition, Company DEF wanted to get a better understanding of its market position.

The VE's major recommendations included improved procedures for the use of pectin in the production process, improved recipes for the preserves and upgraded quality control management and equipment. These recommendations were judiciously exploited by Company DEF and progressively introduced. Four years after the IESC mission, Company DEF is proceeding to implement some of the more "expensive" VE suggestions which deal with improved plant layout and introduction of new production lines. As a result, Company DEF is modernizing its operation.

The immediate contribution of IESC assistance has been improved quality of its jams and marmalade. As a result, Company DEF has gained confidence in the quality of its products, and is now a leader in quality preserves in Morocco. Production has increased from 1400t five years ago to 3000t in 1991 and projections are in the 5000t range within five years. The reputation of Company DEF's preserves has expanded beyond its borders to Europe, where a leading producer of preserves has recently indicated strong interest in the product. Export

opportunities have been developed and the beginning of exports is just a matter of the firm's marketing strategy.

Company DEF's management feels that the key factors in the success of the VE program were perfect timing, precise definition of VE's task, and close interaction with the VE to benefit from realistic expectations.

3. Company GHI: Product Development/Rationalization of Production Market Development

Company GHI has been very pleased with its IESC technical assistance and praise the excellence of the VE expertise. The mission took place in 1987 and broad-scale recommendations dealing with production and marketing have been adopted.

The firm considers that key inputs from the VE were the introduction of new methods of roasting and grinding, improvements of the packaging of their coffees, and assistance in improving the production process which is now fully automatized.

IESC VE recommendations have contributed to the firm's expansion through product development, quality improvement, reduction of production cost through automation and increased market share. Company GHI projects a further increase of a 10-15% share of the Moroccan market for the next five years. Not the least, these improvements have contributed to the company's export competitiveness and drive. Its exports will begin at the end of 1991.

Employment has increased in the short term (the number of employees increased from 45 in 1987 to 70 in 1991), and Company GHI's improved productivity resulted in increased turnover as it increased its market share. Company GHI projects that its staff should increase to about 200 in the next five years.

The management remarks that although the VE assistance was technical in nature it brought a new dimension and perspective to its operation and outlook and the firm is now more self-sufficient. All of these are "necessary" in the firm's expansion. Excellent matching of skills, proper timing of the mission and skillful use of VE's advice seem to be key elements of the IESC mission's success.

4. Company JKL: Administration Assistance at the Start-up Phase

In May 1990, six Moroccan doctors formed a partnership and launched a new modern medical clinic in Tangier. Favorable conditions were present, such as a promising market with no real local competition and a growing demand for such

services, a pool of specialized skills from the European-educated doctors, and financing via bank loans. Since none of the doctors had much hospital administration experience, they contacted IESC and requested a VE for the start-up phase.

The VE's arrival was delayed until March 1991 because of the difficulty (by IESC Stamford) in finding a VE with this type of skills and because of the Gulf war which resulted in an evacuation of the IESC VEs from Morocco. The VE's assistance was required in various areas of the clinic's administration, especially in financial management, clinical performance, training of paramedical personnel and patient care administration.

The VE, who had 30 years experience in hospital administration, was extremely qualified to face such a challenge. His assistance has been considered immensely valuable by the clinic's management. It was particularly critical at this initial stage to set the clinic administration policy on the right path. The management would like the same VE to return for a second mission.

The clinic, which employs 60 persons, has earned a very good reputation and is started attracting patients from other areas of Morocco. Some expatriates, known to be particularly discriminating in these matters, are increasingly attracted by the clinic's low- cost quality services, especially in laser treatment ophtalomology.

5. Company MNO: Exports, Production and Product Development

Company MNO, a manufacturer of high-quality cookies, wafers and pastries, benefitted from two IESC VE missions in 1986 and 1987. Company MNO's management remarked that they were so pleased with the expertise and assistance of their VE, who had 35 years experience at Nabisco, that they requested him to come a second time to assist in new product development and to finalize the rationalization of production. Further collaboration with IESC has been envisaged in the early 1990s.

The IESC VE's key input was in the area of production. The restructuring of production allowed quality improvement, reduction of energy consumption and skills development, through the training of technicians. The second mission led to the introduction and development of five or six new products, improved quality control and extension of some product shelf life. Several additional new ideas and suggestions were made by the expert in various areas, such as the upgrading of packaging.

Company MNO management considers that the success of these missions owes largely to the clear definition of the problems which required IESC assistance,

allowing IESC to better select the expert. The company was graced with a VE with well matched skills for the task. The special human qualities of the VE, who was able to communicate with the workers even with no French language skills, were also highly praised by Company MNO.

Although Company MNO management did not wish to disclose any company data to the interviewer, information gathered from other reliable sources indicates that Company MNO's production increased from Dh. 35,554,000 in 1986, to Dh. 58,755,000 in 1990, exports increased from Dh. 111,000 in 1986, to Dh. 734,000 in 1990; and employment increased from 110 to 151 for the same period.

B. Survey Data Analysis

As has been pointed out in evaluation reports of other IESC VE programs, it is difficult to make accurate determinations of aggregate impact resulting from a diverse group of company-specific projects. Some of the survey findings merely corroborate findings of other similar IESC programs, but we also gained some insight into the effectiveness and problems of the IESC Morocco program.

The survey revealed that out of 52 export production projects surveyed, approximately 20 can be considered successful, 17 partially successful and 15 seriously deficient. The following section discusses the factors most commonly raised during the interviews that determine the perceived success or failure of an intervention and that are the most critical to impact. Some of these are generic to IESC VE programs; other are more specific to the Moroccan context during the period of the Cooperative Agreement.

1. Skills Matching

The vast majority of the firms interviewed were impressed with the level of professional expertise and experience of the VEs. Clearly VE expertise and experience are a cornerstone of the IESC program.

It may come as no surprise that the key factor in client satisfaction is proper matching of the VE skills to the specific requirements of the firm. At least 25% of the firms indicated that the VE skills were perfectly matched to their needs. In the majority of these cases, firms had defined precisely their requirements and also had realistic expectations about what the VE should bring.

Despite the generally high level of professionalism and expertise of the VEs, there was some mismatch of skills versus enterprise requirements. There are very few cases of complaints about total lack of qualification or incompetence of VEs.

Most complaints tend to point out that although the VE was specialized in a field related to the firm's activity, he was unable to fulfill the particular requirements. A case in point is that of a plastics specialist requested to assist a firm in improving its polyurethane foam production. The VE, a distinguished chemist, had only marginal knowledge of polyurethane foam production. By the time he had acquainted himself with the firm's needs, his mission time was over. The firm manager remarks that the VE's role in solving the firm's production problem had been virtually nil. On the other hand, the firm's chemist, who worked closely with the VE, argues that he learned enormously from the VE and that this knowledge could be useful for the firm in the longer term.

Another type of complaint (about 10-15% of the firms interviewed) is about U.S. VE's having too narrowly specialized expertise. In these cases, the firms had expected the VE to have a broader business perspective and understanding of the firm's operation.

There are two aspects to this problem. Many IESC clients are considerably smaller than the typical U.S. firms from which the VEs came and may have broader and more multi-disciplinary assistance requirements. Additionally, firms in developing countries have highly centralized management styles, in which the owner-operator makes all decisions. The request by such a firm to IESC may be for a technically qualified VE, but the expectation is that the VE's experience will be sufficiently broad to fit the management style of the client.

2. Cultural and Corporate Adjustment

Approximately 30% of the firms interviewed had some kind of complaint about the VE's cultural or corporate adjustment.

Difficulties in understanding the firm's environment and conditions tend to be more commonly reflected in projects with a strong management, financial or marketing component than in strict technical projects. Firms remarked that traditional financial or general management practices cannot be turned around overnight; some of these firms noted that irrespective of the quality of the recommendation and principles put forward, more sensitivity to the local conditions and firm's resources would have been necessary by the VE to structure the recommendations to fit the local cultural setting. This suggests that the VE's time in Morocco should not be cut short; rather that he/she be scheduled to remain in Morocco for the full three-month authorized period of the assignment.

Some VEs recommendations require large-scale investment to solve the firm's problems, either through acquisition of expensive equipment or technology or hiring of new professional skills. A number of firms felt this type of advice was not useful given the scale and/or the limited resources of their enterprise. In the

projects where such problems were noted, the management remarked that either the recommendations would likely remain "lettres mortes" and were therefore useless under the present circumstances, or could only be considered in a distant future. The type of assistance that is universally praised is practical suggestions and ideas allowing the company to solve problems and improve performance within the resources available.

Adjustment to Morocco's cultural and social environment was reported as problematic in about 20% of the projects. Some VEs needed more adaptation to the local manufacturing standards or local market. A few firms remarked that their VEs looked totally disoriented and did not understand local customs, such as observance of the holiday "Ramadan". A number of firms which have encountered this difficulty suggest that IESC encourage and help the VEs to prepare and inform themselves about the local cultural and economic environment prior to coming to Morocco. This, they noted, could save considerable time for the VE to concentrate on the task.

3. Timing of the VE Mission/Management Availability

The survey reveals that proper timing of the VE's mission is a critical factor of success. Most of the success stories in the preceding section seem to have resulted from good preparation and organization of the VE mission, both by the client and IESC.

Although it is obvious that the firm should plan and organize the mission to take place at an appropriate time to make the best of it, it seems that IESC Casablanca could be more sensitive to this issue, since observation reveals that the client is often not aware of the need to prepare for the VE's arrival at the time of the request.

Many firms remarked that their own management availability is critical for the firm to fully benefit from the VE's presence. A number of projects (about 25%) have suffered from improper timing of the VE mission. Either the firm was undergoing a major corporate or department restructuring or, in other cases, the acquisition by the firm of new equipment, which required VE technical assistance, had been delayed and the VE's mission came too early to be productive.

4. The VE's Attitude/Age

Virtually all of the firms interviewed remarked that they were pleased with the helpful attitude and dispositions of the VE and, in most cases, the excellent personal relationships developed between the VE and his client. A few firms (about 10%), however, were dissatisfied with the leisurely attitude of the VE, who they noted, gave the impression of "vacationing" in Morocco.

Firms seem to appreciate the volunteer dimension of the assistance. Seniority was not necessarily a negative factor (a few firms remarked that their VEs in their mid-seventies were astonishingly dynamic). However, about 15% of the interviewees reported that the VE's vitality had been somewhat problematic. Some VEs were reported to be insufficiently energetic or motivated to face their demanding assignment. Several of these VEs were in their mid-seventies, to late seventies; one was 80.

In contrast, several other firms corroborated this concern in expressing spontaneously in the course of the interview, that they appreciated having received a relatively young and dynamic VE.

5. Language Communication Problems

Special efforts on the part of the VE to communicate in French with the staff and workers was highly appreciated.

Few VEs speak French and most Moroccan-assisted firms, even at the management or higher technical level, tend to have only limited conversational English skills. At least 25% of the firms interviewed had to hire an interpreter, sometimes with mixed results - especially in the case of projects involving highly technical subjects. A number of these firms remarked that the lack of French language skills by the VE restricted his interaction with employees and workers on the factory floor. On the other hand, a few of the managers of assisted companies who did not speak English tended to feel "left out" of the dialogue with the VE (which generally took place with the engineer or other professional).

For about 15% of the interviewees, communication problems with the VE were overwhelming and influenced negatively their overall perception of the VE's assistance. Some of these firms mentioned that this difficulty would lead them to not hire U.S. VEs in the future unless they spoke French.

6. Increased Interaction With The Firm In The Selection Process; IESC Project Monitoring

Nearly 20% of the firms indicated that they wished that they could have been more involved in the selection process. Some firms felt that they could not sufficiently assess from the resume the VE's skills and their relevance to the specific needs of their enterprise. In a few cases, the VE who had originally been accepted by the firm was unable to come to Morocco and the firm felt somewhat "pressed" by the IESC office to make a decision on a substitute VE with less obvious qualifications for the task at hand.

When difficulties between the client and the VE materialized, clients tended not to complain to the IESC office until after the project had ended.

Although there is implicit provision in the terms of the IESC contract to allow a firm to terminate a VE's mission and to request another expert in case of major dissatisfaction, the majority of firms surveyed appeared to have been reluctant to take such a drastic step. If this "live-with-it" cultural attitude can be generalized to Moroccan firms, it is suggested that IESC management needs to increase its dialogue with the firm during the VE's mission. A follow-up call to the client about 10 days after the VE's arrival would be useful to find out how the experience is proceeding.

In addition to such immediate follow-up and possible corrective measures, a more systematic follow-up system should be instituted by IESC. Informal contacts are already maintained with a number of firms. A follow-up visit, about six months after the completion of the VE mission, could be carried out. This would provide better assessment of the VE's assistance impact and, not negligibly, maintain dialogue with IESC clients and enhance IESC's visibility, credibility and market potential. The reticence of most firms to raise what they perceive to be delicate issues with the IESC could be eased through increased interaction with the client and project follow-up.

7. Mission Duration and Preparation

A significant number of firms (about 1/3) remarked that the duration of the VE's mission, typically about six weeks, had been too short and that a few more weeks would have made the mission more productive. This, it was noted, was even more necessary given the VE's need for time to adapt, especially if he had no previous experience in Morocco.

It appears that several of the VEs had to return prematurely to the U.S., sometimes unexpectedly and for personal reasons.

Several firms (about 15%) wished that the VE had some preparation for his mission prior to his arrival in Morocco. They suggested that this could be done through personal communication with the firm and collection and study of background information/documents to facilitate the understanding of the firm's environment and problems. Such preparation would allow more effective use of the VE's limited time in Morocco.

A few firms also wished to maintain contact with the VE for some kind of informal follow-up after his return to the U.S., but they felt that IESC management was not encouraging this. This suggests that some funding mechanism might be usefully

employed in the next Cooperative Agreement to pay for such follow-up calls after the VEs departure, if the VE considered such contacts would serve a purpose.

C. Quantitative Performance Analysis of 60 IESC Client Firms

It would have been helpful if the management of the IESC VE Program had systematically collected baseline data (production, employment, exports, plant and equipment values) from the client firm, and had maintained that data in computerized data files with ready access and opportunity for manipulation. This data bank could then have been updated at the end of the VE's assignment with some information concerning the work accomplished by the VE and the recommendations for later implementation. Such data would have been valuable for systematic follow-up efforts by IESC management. It would also have been very useful for subsequent evaluation efforts. Unfortunately, that kind of data system was not maintained on IESC's computer facilities in Casablanca.

The client application form for VE assistance does provide data about the firm's production and the number of employees, but it was not easily accessible for systematic review and compilation. The surveyors did have access to the individual project files containing the application and the VE's final report for those firms included in the sample selected for site visits and management interviews.

Our survey instrument (see Appendix B) provided for the collection of company data on production, exports, employment, investment and plant utilization over time, but there was strong resistance by firms to divulge such data.

Fortunately, we were able to obtain company-specific performance data for Moroccan firms for the five-year period of the Cooperative Agreement, 1986 to 1990. To learn something of the overall impact of the VE program, we have analyzed the production, export, employment and investment data for 60 VE client companies (grouped into 10 sectors), and compared the performance of the IESC client group of companies with the performance of the comparable industrial sub-sector as a whole. The analysis covers the period 1986 to 1990 inclusive.

Appendix H provides the raw data as well as a list of the names of the 60 firms, more than half of which were included in our survey sample. For each of the 10 sub-sectors, and for each of the five years covered, it indicates the share that the 60 IESC-assisted companies maintained of sub-sector production, exports, employment, investment and value added. It also indicates the annual growth rate for each of these performance measurements, for the sub-sector as a whole and separately for the IESC firms included in the sample.

The sample consists of the following:

Sub-sector	Number of IESC-Assisted Companies in Each Sub-sector	Production of IESC Sample Firms as a % of Sub-sector's Total Production
Food Industry	12	4%
Textiles	12	10%
Garments	8	8%
Leather	1	2%
Wood Products	4	12%
Paper Products	10	42%
Metal Working	2	11%
Electrical	2	6%
Chemical	8	3%
Rubber/Plastics	1	3%

60

Statistical comparisons among this data do not reveal any clearly distinguishing characteristics of the IESC-assisted companies, in terms of their performance vis-a-vis their sector, to suggest any implicit collective impact from the VE program. Except for the an increase for the IESC assisted leather producer, IESC-assisted companies increased production at approximately the same rate as their respective sub-sector.

Export share of IESC-assisted companies declined for garments, and for food industry; yet increased sharply for chemical, metal working, wood products and leather.

Employment levels increased less than proportionately with production output in all sub-sectors as a whole, and also for IESC- assisted companies except for those firms in wood products.

We should caution that the absence of statistically verifiable increases for the IESC-assisted firms over those of their respective sub-sector does not prove that there was no impact. The firms that sought help from IESC may have recognized that they were in difficulty and were losing market share. The aggregation of firm data may mask individual achievements (as is shown by the foregoing description of a few individual success stories).

We performed a further analysis of ten IESC assisted firms which our survey indicated to have been the beneficiaries of successful VE projects. Five of these firms were in the food industry, three firms were textile producers and two firms were paper and paper products producers (See Appendix I). We found that performance data for the five IESC assisted firms in the food industry showed that they increased their market share of production and exports during the period 1986 through 1990. The IESC assisted firms performance exceeded that of the sub-sector as a whole.

The same is true of the textile industry, although the numbers are not as dramatic. The data for the two IESC assisted firms in the paper and paper products industry did not reveal any significant improvement in performance over the subsector as a whole.

This analysis would tend to corroborate our conclusion that successfully executed VE projects do contribute significantly to the client company's performance. It strengthens the case for greater effort to be made in the management of the program to support the VE during his/her tenure with the client.

D. Institutional Analysis of VE Delivery System

1. Demand for the VE Program

There is a direct correlation between the IESC marketing effort and the effective demand for the program. The greater the marketing effort, the more applications for assistance are generated. Appendix J describes the relationship of completed project levels per year (through September 30, 1991) with the marketing efforts that led up to these levels. The data was provided by IESC Casablanca, and is an extension of data contained in the Mid Term Evaluation.

In at least one instance, (SEFITA) the managing director volunteered to the surveyors that he was disappointed that IESC did not pursue marketing efforts in Meknes with greater vigor. SEFITA has applied and used four VEs during the life of the Cooperative Agreement and said he would use more if he were reminded from time to time. The issue has relevance because it supports the allegation that past marketing efforts were too heavily concentrated in Casablanca.

The IESC Country Director points out that, although he agrees that their marketing effort should adequately cover other industrial centers, the fact is that much of Moroccan industry is located in Casablanca. In many instances, the decision makers of multi-establishment companies located elsewhere are themselves based in Casablanca. That is indeed the case.

According to the Country Director, IESC's future marketing effort should be adequate to reach a level totalling 220 programs during the next five-year period. He proposes to reach this level with the following programs:

- cold calls to target industries;
- follow-up with companies that are invited to attend USAID seminars being held under other programs;
- follow-up with clients of USAID-supported loan guarantee programs;
- contacts with Moroccan business associations; sponsoring of promotional activities such as business breakfasts which will provide information on new technology and global market trends;
- recruitment of independent marketers in Casablanca and other cities to be paid on a commission basis;
- attempt to "piggy-back" VE assignments with non-competing firms, (use of one VE in Morocco to assist a second company).

There are other technical and management consulting firms that offer services in the local market, but we do not know much about them. However, we gained some insight, in the course of the client survey, when we asked whether the client would find it acceptable for IESC to invite a local consultant to join with the VE in an assignment. The response by the client was universally negative. Two reasons were given: the client expressed concern that confidential information about his company's operations would be made available to his competition when the local consultant completed his work (he had no such concern about the VE); and he was also convinced that no local consultant could bring an international perspective to the assignment, such as that which the VE could bring.

It is interesting to note that the French operate a similar program to the traditional VE program. A description of that program is provided in Appendix K to this report.

2. The Fee Structure

IESC charges a flat fee to its clients for VE services. That fee is \$6,000 for the first month and \$3,000 for each additional month of the assignment. An attempt had been made to charge a sliding scale depending on the size of the company, but that approach was found to be untenable because it invited clients to haggle about the fee.

IESC believes that the fee structure is satisfactory and, on balance, does not get in the way of securing clients who may benefit from the program but cannot afford it.

However, we believe that the fee structure acts as a disincentive to full utilization of a VE tour, which is normally close to three months in most IESC programs, but only about six weeks in Morocco. In light of the information revealed by our client survey concerning client dissatisfaction due to short VE tours, and the need for VEs to structure their recommendations to better suit the cultural environment, we believe the fee structure should remain \$6,000 for the first month but should be revised to, let us say, \$4,000 for the following 60 days, or any portion thereof.

3. Program Phasing, Costs and Expenditure Levels

The Cooperative Agreement, as developed in 1986, contemplated the expenditure, by June 1991, of approximately \$2.35 million (\$2.8 million total, less about \$450,000 for CMPE) to produce 130 VE Export Production projects, 18 VE Export Marketing Projects and an unspecified set of activities categorized under "Export Development Fund". This works out to a \$15,878 cost to the Cooperative Agreement per VE project.

As of June 1991, \$1,608,236 was expended (including Administrative costs) under the Cooperative Agreement to produce 84 completed export production projects, 11 export marketing projects and some minor unspecified activities under the Export Development Fund. The expenditure rate (corresponding to the implementation rate) may have been slower than expected, but the prorata program cost for product delivered (\$16,928) appears to be only 5% above budget. That increase may be due to the shift in billing some costs from the IESC Core Grant to the Cooperative Agreement. It may also be due to the stretching out of implementation over six years instead of five years, thereby incurring additional operating costs for the Casablanca office for an extra year.

When we get into the line-item funding subcategories, we have a wide divergence between the original budget estimates and the current expenditures. The most significant departure from the original (1986) budget is the allocation of \$710,000 for management administration. That line item was subsequently increased to \$895,000.

As of June 1991, \$1,002,223 has been expended for this category. It is estimated that the operating costs for the IESC office in Casablanca runs at \$20,000 per month. Thus, an additional \$250,000 will be required to carry the operation for the final year of the Cooperative Agreement, July 1991 to June 1992. This issue (see discussion under "Accounting", below) has caused friction between the USAID and IESC, since the account is overexpended. IESC is able to overexpend on line items because it is operating on its advances from USAID.

4. Program Management

The IESC program in Morocco has been managed by a string of Country Directors of short duration, with long periods when the position was vacant. Since the departure of Mr. Sokoloff in late 1986, the position was encumbered by Messrs. Kortschak, Brown, Sawtelle, Lansel, and now Dimitri Barton. This lack of continuity in the management of this major program has had substantial negative effects on the program.

We note that the Cooperative Agreement provides for substantial involvement of USAID in the operations of this program. Each VE project had to be submitted to USAID for approval; each project was to have a report submitted to USAID within 30 days after completion. Funds were restricted to the line items specified in the Agreement without flexibility, and the amount allocated for IESC management costs was so precisely specified that it impeded sound management. (As will be discussed in the following section on accounting, the total funding allocated in the single line item for management turned out to be insufficient.) All but the most routine program or administrative decisions were to be submitted to the USAID Project Committee for formal review and approval, (e.g., selecting a marketing associate for TIS; departure from the stated client fee schedules; purchase of a new piece of office equipment).

In short, it would appear that USAID intended intensive involvement for itself in the administrative management of these activities. We question whether these controls served program interests. Coupled with the rapid turnover of Country Directors, the focus of IESC management appears to have been more on responding to the administrative requirements of USAID than on the substantive needs of the program.

USAID has important responsibilities to ensure sound implementation and achievement of program objectives. These responsibilities call for mechanisms to monitor the direction and effectiveness of the program. However, such detailed microcontrol over what seem to be normal operating procedures for IESC throughout its worldwide operations, should have been avoided.

We are surprised IESC did not request that the Cooperative Agreement be amended to remove the unworkable elements, when it became clear that they were impeding program implementation.

We suggested earlier that IESC management of the program was weak in monitoring VE programs to solve problems that impeded the VE's effectiveness with the client. IESC management did not establish a sound baseline data bank on its clients, nor did it organize the data in a manner that lends itself to easy access, (although, in all fairness, we found no requirement in the Cooperative Agreement

for baseline data collection, as is called for in the Project Paper). It did not pursue its marketing efforts with sufficient vigor in the outlying cities. It did little to monitor VE projects during their implementation and almost nothing to follow-up with the client some period of time after the departure of the VE. These are the kinds of functions which might have yielded a higher return on the rather substantial USAID investment in this program. It also might have avoided the unusual number of negative responses from clients which our survey revealed.

One of the IESC clients that was included in the survey, (Menara Confection) raised an issue which may be worth considering on a broader scale. One of its companies had excellent experience with two VE projects. In one instance, a 3-day consultation in 1989 with a VE persuaded the client to set up a garment factory. Subsequently, he applied for and received a VE to help rationalize the new plant for him. That latter VE experience was unsatisfactory to him.

Without pursuing the merits of the complaint, (we are certain there is enough guilt to go around to all parties), it would appear that a sensible course of action would be for IESC to provide another VE to the dissatisfied client without requiring a client fee. Such action is not authorized under the Cooperative Agreement without specific USAID concurrence. Since the approval procedure is so burdensome, IESC never asked. The point is, the factory continues to have production problems and a client seeks help. IESC management should have the flexibility to take remedial action.

The target of 130 VE production programs and 18 VE marketing programs contained in the Cooperative Agreement may also contribute to a "body count" mindset by IESC, and place pressure and emphasis on the quantity of VE assignments marketed, rather than the quality of the output derived from each VE project. This factor, combined with the method by which IESC charges its home office overhead (see discussion below on "Accounting"), may also have contributed to the priorities among Casablanca staff which led to the poor client satisfaction responses to our client survey.

Our review of the more recent IESC quarterly reports indicates that they are thoroughly and thoughtfully prepared to provide USAID with a comprehensive review of events and issues. On the other hand, the analysis prepared by IESC and submitted to USAID in 1990, in support of the request to increase the management budget, was so inadequate that it led to a loss of confidence by USAID in the managerial capacity of IESC.

The Evaluation Team notes that IESC has established an Advisory Board, comprised of Moroccan business leaders who have agreed to provide broad policy guidance and help IESC with their business contacts in the community. The Board appears to be dormant at this time. Other IESC programs find such a mechanism

to be quite useful. It might be advantageous to reactivate the Board and to involve them more, if USAID determines to continue the program for an additional five years.

We find that USAID's efforts to overcontrol conspired with IESC's management weaknesses to divert the creative energies of both away from important program issues and onto administrative matters. A loss of confidence by each party in the other resulted, causing the impact of the project to suffer.

5. Program Impact of IESC Accounting and Home Office Charges

In the course of our evaluation, we found it difficult to obtain reasonably precise accounting information at IESC, in a form that would coincide with AID accounting practices. We attempted to understand the total costing of IESC activities in Morocco so as to perform benefit/cost analysis of the two main activities (the VE program and the TIS program). We also sought confirmation from IESC Stamford of our construction of the costs (particularly the amount of Core Grant contribution used to fund Moroccan activities), but we were not able to secure such confirmation. Thus our cost analysis contains estimates made in the absence of such confirmation.

More to the point, however, is the current state of overspending by IESC of the administrative/management line item contained in the Cooperative Agreement, in excess of the ceiling imposed by the Cooperative Agreement. This issue has lain unresolved since late 1990. A large part of the problem rests with IESC's inability to satisfy USAID on the legitimacy of its request to increase the administrative line item.

By rights, IESC could have closed down its operation when it ran out of money to pay for the administrative costs to operate the Casablanca office. To avoid such an extreme action with the resulting negative program impact, IESC has continued to overspend. The issue is a sore point between USAID and IESC and has drawn the attention of both sets of senior professionals away from substantive matters. There seems to be no immediate relief in sight. An outside audit has been requested by the USAID Controller and Regional Agreements Officer.

We hope an audit will shed sufficient light on the subject to resolve the matter quickly, but it seems apparent that the original budget was underestimated (current expenditures run at \$250,000 per year while the budget estimate is in the \$170,000 range). Additionally, the period of the Cooperative Agreement was extended from five years to six years, requiring an additional year of office operation which was not budgeted.

The funding ceiling imposed in the Cooperative Agreement does not seem to serve any useful purpose. (No such limit on administrative spending is imposed on the TIS program). As will be shown in the analysis of program costs, the overall cost to USAID Morocco of the VE program is very much in line with the initial budget of the Cooperative Agreement. It seems less than purposeful to argue about line items, thereby exacerbating the management problems which seem to be impeding program effectiveness.

The Cooperative Agreement should be amended to eliminate this spending limit. If USAID has reason to be concerned that IESC funds are being spent on unauthorized items, an audit will disclose that and a refund can be subsequently requested.

There is another accounting matter that deserves attention because it seems to have a direct effect on program content. Three types of home office costs are charged to the Cooperative Agreement for each VE project that is implemented. These are the recruitment charge (\$2,200), an overhead charge (\$3,105), and a field support charge (\$800). These are fixed fees per VE program implemented. We believe this contributes to pressure from IESC Stamford on the Casablanca office to sign up as many VE programs as possible, and adds to the pressure caused by the targets set in the Cooperative Agreement for a "body count" approach. The financial structure encourages quantity and, we believe, works against quality.

The TIS program is charged for actual full costs incurred for services rendered by the home office (including a reasonable overhead), not fixed fees. It pays the service costs of the program and then is charged on a marginal cost basis only, for additional services rendered.

We believe this approach would better serve USAID's interests. USAID would pay the annual fixed costs of the program, while all incremental costs would be on a marginal cost basis irrespective of the number of VEs put through the system. If USAID intends to enter into a new Cooperative Agreement with IESC for the period 1992 to 1997, during which time it will be paying all costs of the activities in Morocco, it may wish to consider such an approach.

It is clear that improved accounting systems must be introduced in the Casablanca office, so as to restore confidence by USAID that the funds provided under the Cooperative Agreement are being utilized in accordance with the intended purposes.

E. Mid Term Evaluation Results vs Current Status

In reviewing the conclusions and recommendations of the Mid-Term Evaluation for this project, dated April, 1990, we noted a number of findings concerning problems impeding the effectiveness of IESC production and marketing assistance and some suggestions for improvement. Our survey results confirm the occasional mismatching of VEs to the client's requirements. The English language problem persists as does the question of cultural orientation and adaptability of VEs.

We question the conclusion that an export focus hindered IESC effectiveness. The chart appearing in Section II of this report, describing the structure of Morocco's industrial sector, indicates that the 750 firms with employees in excess of 100 represent 78% of export production. IESC's universe of potential clients does not seem to be curtailed by the export restriction. We regard tourism as an export equivalent. While we do not wish to encourage a too restrictive approach, (exceptional cases up to 5% of the total activity might be authorized) we point out that an export focus would keep the program clear of the risk of assisting a firm that might have a monopoly position in the Moroccan economy.

We also concur with the finding that lack of official organizational status for IESC has not been a major factor in reducing IESC effectiveness, although it has added to costs and has caused inconvenience. On the other hand, placing the project under a project agreement with a Moroccan Government agency would also result in some problems. Most likely, it would add a level of reporting and would inject a ministry into the relatively government-free operation of IESC. We recommend the activity be kept outside the framework of a Moroccan Government project, but that an effort be made to legitimize IESC's status. This may require high-level representation by USAID and, perhaps, the U.S. Embassy.

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F. Overall Conclusions of VE Program

The survey results must be considered in the light of a number of cautionary notes.

In the first instance, surveys of this kind deal with perceptions of the company spokesperson, not necessarily fact. As we point out in the section on the TIS program, the perceptions of the client often diverge sharply from the observed reality. Moreover, it mattered which company spokesperson agreed to see the surveyor, and how busy he/she happened to be at the time of the visit.

Almost universally, we found that the company did not regard the VE as some sort of messiah, sent to save the company from ruin. Rather, the VE was regarded as a resource of varying utility to them, who helped them cope with their problems.

In a very few instances, the VE's contribution was so outstanding that the client spontaneously described it to the surveyor.

It appears that IESC VE program impact may, in some cases have been mediocre because VE recommendations are often not implemented. We found that companies that had recently received VE assistance, tended to be defensive when pressed on the action they had taken to implement the recommendations, often arguing that they had not yet had sufficient time to digest the proposed actions. We believe that VEs often propose actions that must be adapted to the local culture, and that takes time. Other recommendations require a substantial investment of funds and companies are reluctant to admit that they do not wish to or cannot make the investment.

On the other hand, companies that had received VEs in the early period of the program often suffered from a fading memory. In one instance, they recalled the VE as "someone who came to observe how we work."

IESC is not solely responsible for the success of a VE's mission. Adequate preparation and organization of the mission by the client, including a precise definition of task requirements and realistic expectations is essential. There are also inherent difficulties in the course of providing foreign technical assistance (language communication or cultural adjustment problems).

The length of the VE assignments seem to have been consistently less than desired by the client. We question IESC management's decisions to schedule short assignments and to allow premature departures on a continuing basis.

Many of these difficulties often could have been minimized by good management on the part of IESC, both in the VE selection process and in monitoring the VE project during and after implementation. For example, language communication problems could be minimized if IESC would enquire more thoroughly with the prospective client if the firm has sufficient English skills capability and if this is not likely to be a major handicap.

Addressing the concerns of Moroccan firms requires extensive dialogue between IESC and the client at every stage of the project, especially in discussing the client's specific needs and making him more aware of the realities of the assistance program, in monitoring the project during implementation and in follow-up efforts after project completion. Regrettably, the survey findings indicate that these functions were inadequately performed during the life of the Cooperative Agreement.

In spite of the superior quality of some Country Directors, the lack of continual day-to-day management at an acceptable quality is the single most important

cause of the substandard quality of program impact over the last five years. IESC must assure USAID that it is prepared to hire the necessary long-term sustained management to staff the Casablanca Office.

The poor showing of impact from the program should be a concern to USAID as it plans its activities for the next five years. But it would be incorrect, absent hard data on direct impact of the VE program, to conclude that the project purpose, "... to improve the export production and marketing capacity of beneficiary firms;" has not been met, and therefore to recommend discontinuance of the program.

We believe the program's impact was severely impeded by poor management. But IESC's basic strengths, its reach into the U.S. business community, its pool of VEs, and its demonstrated ability to bring those resources to bear on international development problems (see following discussion of the TIS program) makes it one of the few practical resources available to access and strengthen Morocco's private sector firms. The challenge for USAID and IESC is to find ways to employ this resource effectively.

V. IMPACT OF THE TRADE AND INVESTMENT SERVICES (TIS) PROGRAM

A. Survey Data Analysis

Of the 22 TIS "clients" who, as of September 30, 1991, were responsible for export orders amounting to \$6,558,000, the evaluation team visited 15 firms representing \$5,824,000 of the total value of export orders placed.

B. Program Focus

TIS management drew on the work and analysis performed by David Sullivan while he was assigned to CMPE during the period 1986 through 1988. While that work is generally conceded to have failed to reach the project's institution-building objectives for CMPE, it identified the commodity specific sub-sectors with strong export potential. This gave original direction to the TIS program design, start-up and initial operation for 1989 through 1991. As was described earlier, certain product lines were identified as offering the best potential for rapid export increases to the U.S. market. These product lines were olives, capers, sardines, and anchovies. Under TIS, some pilot efforts in peeled tomatoes, pickles, garments, leather trunks and artisanal items were also attempted. The data on exports achieved (see following table) suggests that the product lines selected were the right ones.

The TIS analytical framework is self adjusting, responding to market forces by utilizing marketing associates as surrogates to reflect market opportunities.

C. Demand for Services

The initiative for the TIS operation has always lain with TIS itself. Its staff was the generator of interest, by performing product surveys. It sought out the producers, and also the marketing associates. There may have been a few occasions when there were "walk ins", but these were the exception. On occasion, a TIS marketing associate would be directed by TIS to an export product which was ancillary to his purpose for coming to Morocco and he would do some extra business. In short, TIS did not publicize its services, but rather, selectively sought clients.

Even though TIS was fully funded by USAID through IESC, it behaved as though it were a commercial undertaking, dependent on earnings for its survival. By pursuing that behavior, it found ample demand for its services.

It is difficult to know for certain whether the imposition of fees, particularly deferred fees, would have reduced TIS' effectiveness in securing the willingness of clients to work with them. The issue of fees for TIS efforts is discussed separately below.

D. Impact of TIS in Trade Promotion

In contrast with the difficulties of quantifying impact of the VE program, direct impact of the TIS program lends itself to accurate, though simplistic, measurement. Export orders to the U.S., totalling \$6.5 million during the first 27 months, are directly attributable to the TIS operation. Cost of the operation, including start-up, is \$896,000 or 14% of export orders.

As of September 30, 1991, 27 months after the start of the TIS program, TIS can document 22 exporters who have been assisted in obtaining firm, valid export orders (not all, as yet, shipped) in the aggregate amount of \$ 6,558,333 to the U.S. under this program.

We have attempted to look behind these numbers to provide us with some insight into the issues raised by USAID with respect to commercial sustainability, suitability of fee structures and adequacy to meet program objectives.

The table appearing on the next page breaks down the total by producer, product and value of orders placed for each quarter of the 27 month period. The first

Trade & Investment Service (TIS) Clients - Orders Placed
(All Amounts in \$000)
(Numbers may not add due to rounding)

		INCLUDED IN		1989		1990			1991		TOTAL	
		IMPACT SURVEY	3Qtr	4Qtr	1Qtr	2Qtr	3Qtr	4Qtr	1QTR	2QTR	3QTR	
ETS AGGOUZAL	SARDINES	*						115	110	302	54	581
SOMACOS	SARDINES						55					55
TOPAGRO	OLIVES	*			50	15	21		90	96		272
AGRALEX	OLIVES					174						174
HUILERIES	OLIVES+OIL	*				110	26	70	285	2190	656	3337
RIM	OLIVES	*								133		133
SESTA	OLIVES	*									17	17
SOFIAG	OLIVES	*		2	26	7		8		22	6	72
GLACIERES	ANCHOVIES										322	322
CONOR	ANCHOVIES					94						94
CONSERVA	TOMATOES	*					176					176
COVEM	TOMATOES										34	34
IPHIM	TOMATOES	*					595					595
SAIMACO	CAPRES	*							44			44
SOFIAG	CAPRES	*		6	6	52				27	32	123
TOPAGRO	CAPRES	*				75			26	17		118
TOPFOOD	PICKLES	*								22		22
TROMADY	CIPOLLINI									54		54
RICHBOND	TEXTILES	*									48	48
DELECLUSE	LEATHER TRUNKS*				213							213
CMAI	JEWELRY									1		1
CARPET MER.	CARPETS	*								8		8
MOUSSEM	CERAMICS	*			4			19	18	22		63
THAMAZUGA	THUYA ITEMS	*			2							2
TOTAL			8	301	527	873		212	573	2894	1169	6558

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column indicates the 15 firms which were included in the evaluation impact survey sample. These firms constitute more than 88% of the total (\$6.5 million) export orders written under the TIS program.

The table describes the range of export experiences among different firms. At one end of the range are companies like Conor (anchovies), Delecluse (leather trunks), and Thamazuga (thuya wood), who have exported so far largely trial samples with no repeat orders. At the other end of the spectrum, companies like Huileries de Meknes (olives and oil) and Etablissements Aggouzal (sardines), with their repeat orders tending to increase, appear to be in the process of successfully entering new markets.

While the one-time orders should not detract from overall accomplishments of TIS, it is the repeat orders that signal the success of a TIS client in making the breakthrough into the North American market. These are olives and oil and, perhaps, sardines.

E. Impact of TIS in Investment Promotion

TIS staff is currently engaged in the promotion of three joint ventures. Two of these ventures are at a critical point in their negotiations and therefore should not be disclosed at this time. In one case the venture is in the field of agro-processing, involving new investment in the \$1.5 million range with a U.S. company. That venture is expected to be concluded, and the appropriate public information released, before the end of 1991.

The second venture (approximately \$3 million in value), is with a Spanish olive producer who has had long relations with one of the TIS marketing associates. The high-cost Spanish operation is to be relocated to Morocco so as to remain competitive in the U.S. market. The equipment from Spain will be shipped to Morocco and used to establish the new operation.

If either of these two joint ventures are achieved prior to June 30, 1992, output target number four of the Export Promotion project will have been met (see Section II, above). The estimated cost of TIS joint venture promotion efforts is under 10% (\$80,000) of operating costs.

F. Impact and Client Perception

The survey data suggests that the Moroccan producer perceives that TIS' most important contribution was the contacts and referrals provided to them for U.S. importers/brokers and the credibility which they derived from association with TIS in dealing with the U.S. broker.

There was also recognition of the value of follow-up performed by the TIS staff and the clarifications resulting from TIS intervention in the communications flow between the marketing associate and the Moroccan producer, although there still seems to be a naivete or undervaluing of the importance of fully meeting the terms and conditions of the sales agreement. Most Moroccan producers believed that TIS saved them a lot of time as they climbed up the learning curve in meeting U.S. market needs.

On the other hand, our interviews suggest that, rightly or wrongly, Moroccan producers do not perceive that TIS had much effect on their product adaptation and investment decisions. They generally played down the importance of that kind of TIS impact, stating either that they had already decided to modernize or to produce a product for the U.S. market, or that the information provided to them by TIS or the U.S. marketing associate was useful to corroborate their investment decision. Even in those cases where it was recognized that TIS and the TIS marketing associate did provide them with assistance, they were not prepared to admit that the TIS role was critical to their decision making process.

This type of client attitude is not as surprising or as negative as it may first appear for two reasons. First, direct contact with the TIS staff is sometimes light, given TIS mode of operating behind the scenes to get business people together to pursue their mutual interests. The fruits stemming from the collaboration of a TIS client with a TIS marketing associate therefore may not be attributed directly to TIS. Secondly, if a firm decides to change its behavior or invest following contacts or information from an outside service, the firm is acting as an independent decision maker and may not attribute the change to an outsider's suggestion. The firm has to be responsible for its own decision-making.

1. Perception of Direct Impact

One direct impact of the TIS operation on Moroccan production is the shift by ETS Aggouzal from production and bulk shipment of anchovies to the preparation and canning of anchovies for the U.S. market, resulting in a fourfold increase in product value. This change came about directly as a result of recommendations made by TIS staff. Our inspection of the plant disclosed that anchovies were being prepared for canning and export through the TIS marketing associate, although the data for orders placed as of September 30, 1991 does not include the first shipment of anchovies from that company. Canned anchovies are a high value commodity, at about \$100,000 per container load.

2. Perception of Indirect, Partial Impact

There is insufficient data to determine the precise amount of investment undertaken by TIS clients to meet market needs, resulting from their contact with

TIS staff and marketing associates. Moreover, it would be impossible to directly ascribe the cause for these investments to TIS. As will be discussed below, TIS clients do not perceive TIS as having played a major role in their investment decisions.

However, TIS staff has cited specific cases of investment in olive pitting and slicing machinery to meet the new product lines of sliced olives for the U.S. pizza market. Sterilization equipment to meet U.S.F.D.A. requirements also has been purchased by TIS clients. We have also found indications of new packaging equipment being ordered, particularly for the production of aluminum and plastic containers for sardines and anchovies, to replace tin plated boxes for the U.S. market.

It is especially worth noting, that the first breakthrough to date of the TIS operation, Huileries de Meknes, which has received orders through TIS in the amount of \$3.3 million for olives and olive oil sales to the U.S., (and estimated 1992 sales at \$7.2 million), has a new investment program of over \$12 million under way to develop additional capacity for olives and olive oil. At this time \$3.8 million of the investment plan is already in place; the remainder to be completed in 1992. This is a major capacity expansion, including a new pumice plant in Marakech (\$3.6 million), expansion of the existing pumice plant in Meknes (\$1.3 million), expansion of the olive processing plant in Meknes (\$4 million), and expansion and upgrading of the olive oil plant to produce extra virgin oil (\$3 million).

Additionally, the new export flows to the U.S. derived from the TIS program are reaching backwards to impact on other segments of the Moroccan industry.

At the insistence of one of the U.S. buyers, Huileries de Meknes has hired a Spain-based olive production specialist to work in their plant one week every two months to establish and upgrade its quality assurance unit. The marketing associate himself has worked with the company to establish a computerized order tracking system. Finally, the president of the company attended the American Food Industries convention earlier this year and invited all 250 members to have their convention in Morocco in May 1992 at his own expense. The president told the evaluation team that he will underwrite this affair (\$500,000) to establish Morocco's credibility as a supplier of agro-based products.

3. Perception of Negative Impact

We should point out that the information gathered through the surveys of TIS clients were not corroborated by audits to assure that the data provided to us was accurate. The interview time was short, often interrupted by business conferences and phone calls. Many of the responses by Moroccan company executives were

impressionistic. We are reasonably certain there were cases of memory lapse and embellishments of fact. In a few cases the statements of the TIS clients were directly challenged by TIS staff. This is normal behavior when large financial interests are at stake. We have had to rely on our own judgement in evaluating the information when there were inconsistencies. In some instances, our findings present both sides of the conflicting claims.

In the course of our evaluation we encountered some direct criticism of TIS by a number of clients whom we surveyed. We sensed a wariness on the part of several Moroccan producers with respect to the relationship which TIS was fostering between them and the TIS marketing associate. The company that developed exclusive arrangements between themselves and a marketing associate (Huilleries de Meknes and Arguimbau) was quite satisfied. They are planning a huge investment to modernize their plant in the next six months, directly related to their new export operation to the U.S.; yet the president of the company personally identified TIS' most important contribution to the effort as establishing his credibility with the U.S. broker. However, other clients who had done experimental shipments with that same marketing associate were upset that they were now cut out of the deal and a bit resentful that one of the largest Moroccan producers had preempted the marketing associate away from them.

Other producers who plan to continue to work with those TIS marketing associates but have not entered into any exclusive arrangement seemed to be using a "wait and see" approach to determine whether they will continue to have access and be able to build confidence in their relationship with the marketing associate on a non-exclusive basis.

In one case the producer (Topagro) told us he did not wish to have any further contact with TIS or their marketing associates because he resented that TIS introduced the marketing associates to Topagro's Moroccan competitors after they had met him. He also stated that TIS marketing associates were not providing a fair price to the Moroccan producer. Topagro claimed he was now selling to the U.S. without TIS assistance and had found other U.S. brokers that were not associated with TIS who were offering better prices than the TIS marketing associates. TIS confirms that it introduced marketing associates to other olive companies but points out that Topagro had failed in a number of trial shipments with three of TIS' marketing associates and questions whether Topagro is, in fact, now exporting to the U.S. on any continuous basis.

As is likely to occur in international trade, there were trade disputes between producer and marketing associate over shipments. One producer of canned, peeled tomatoes (Iphim) alleged that the TIS marketing associate, due to improper service, caused the firm a loss of \$40,000. Another (Conserva) claims that the marketing associate rejected his shipments because of price decreases in the market and left

the producer stuck with product in the U.S. He claims that he was unable to resell and eventually incurred a \$400,000 loss which has placed the company near bankruptcy. TIS staff believes that the producer failed to meet delivery terms and is wrongly blaming the marketing associate.

Whatever the merits of these cases, it is clear that some legal exposure to trade claims may result from the TIS operation and involve IESC and the U.S. Government if it could be established that TIS had incurred some sort of obligation with respect to the transaction. This matter will be discussed below in connection with the question of fees to be charged by TIS.

What emerges from these company surveys is a picture of a firm operating under new stress; shifting its focus from the domestic market or its traditional European market to a new, untried, more exigent and competitive market. Once an export relationship develops, impact occurs throughout the company, but most is not measurable until some time later.

G. Potential Future Benefits for Future Monitoring

Will the TIS operation have a demonstration effect? One cannot escape the conclusion that the answer is in the affirmative, at least to some degree. The olive producer who complains about TIS marketing associates offering lower prices than other U.S. brokers, implies that he has made a successful effort to locate a more attractive arrangement to export to the U.S. Topagro's new 12,000 ton plant must be benefiting from some inputs derived from its trial shipments through the three TIS marketing associates, precisely because a number of shipments were rejected. Word must be circulating among the Moroccan industry that this effort to penetrate the U.S. market is meeting with some success.

The kiln built by Moussem out of local materials (see Section titled "Increased Outreach", below), with the guidance of the TIS technical experts, which is expected to sharply reduce the reject rate of pottery shipped for export, will be available as a model for other potters. None of these are quantifiable, but some value should be ascribed to these benefits in any cost-effectiveness calculation.

Was there any impact on increased employment? In the short run, based on our survey results, it is very doubtful. Export producers must maintain efficient low-cost operations to remain competitive. Our tour of the Huileries de Meknes plant disclosed the installation of a photo-electric olive sorter which allows two women to do what about 20 were doing at a non-automated line. In the medium term, when the company achieves an export breakthrough, profitability should lead to plant expansion. New investment in capacity expansion will generate additional employment, as is already the case with the Huileries de Meknes olive oil plants.

The demonstration effect on the competing firms may also lead to expansion and employment generation. Finally, the impact upstream in the production line will feel a job creation impact.

There was evidence that firms like RIM and others were attempting to stretch their current production capacity, adding modern equipment (sterilizers, slicers) to the plant to meet U.S. market requirements, to test production for the U.S. market next year. A modest increase in temporary employment is expected to result from the need to handle the increased (about 20%) olive throughput. If successful, they had tentative plans for a completely new and larger plant (capacity increase from 3,500 tons to 9,000 tons) to be built in another location by 1994. That new investment would generate considerably more employment.

USAID may wish to use this data as a baseline to monitor future impact on employment and also to measure the demonstration effects.

H. Increased Outreach: Another Approach to Increased Exports (Moussem)

The selection of clients derives, in the first instance, from the TIS strategy and the product lines which the TIS marketing associates and TIS staff have selected for development. Individual client selection is based purely on the TIS staff assessment of the firm's willingness and capability to produce and ship for the U.S. market. It is a hard-nosed business sense of what will work with minimum investment of time and resources. There is no major effort to market TIS services and invite all would-be exporters to visit and take up staff time. The sector surveys identify the most promising candidates and TIS staff then contacts them. While the larger firms enjoy substantial advantages if they are export competent, the export dynamic of international competition brings these Moroccan firms out of their protected environment.

Of TIS' 22 clients, we consider all but six to be in the large-scale sector by Moroccan standards. Normally these are the firms that are close to having the greatest potential to perform in the international markets.

On occasion, an opportunity presents itself whereby a small firm may take the lead in establishing conditions for manufacture or assembly of products in a sufficient scale to meet international market needs. One of these small-scale companies that became a TIS client provides an excellent example of such an opportunity, but also describes the difficulties involved, the approach and areas of assistance needed, and the time lags required between investment and return, to obtain export flows.

Moussem, S.A. is a firm that started operations in 1987 to generate handicrafts (artisanal), particularly ceramics, for export. It has 10 employees. The owner,

Leila Benabdejilil, was educated in the U.S. and subsequently employed by the Moroccan Ministry of Tourism. She resigned her position and formed the company in 1987. Initial efforts to export to the U.S. failed due to her lack of understanding of the trade channels and distribution system for handicrafts, as well as the market requirements.

TIS invited and funded the visits of two importers, leading to an assessment of export potential and diagnosis of the constraints. Mousseem was advised to focus on production of high-quality ceramics and to introduce modern industrial production technology to be used by the local potters. The objective was to reduce the U.S. export rejection rate from 85% to something more tolerable.

TIS succeeded in involving, on a volunteer basis, faculty of Alfred University, the leading U.S. institution in ceramics technology, to design a gas-fired kiln built entirely of indigenous Moroccan materials. The kiln was built in Sale, funded by TIS as a demonstration unit for potters in Sale and to be available as a model for observation and copying by other Moroccan potters. Construction plans and a video to help replicate the kiln are available.

Simultaneously, TIS arranged with IESC VEs and other Alford University volunteers to provide training to Moroccan potters with respect to proper firing techniques, glazing and necessary housekeeping in the production process. The kiln is not yet in operation; even so, there has been some quality improvement in the output resulting from the visits of the buyers. As of September 30, 1991 Mousseem has received firm orders in the amount of \$62,590.62. TIS is optimistic that this company can generate significant export flows within the next 18 months. Major improvements in Moroccan ceramics production may also result in indirect benefits to other pottery centers in Safi and Fez.

I. Observations Drawn From the Analysis of TIS Program Data

TIS is not broken and there is no need to fix it. Nevertheless it is always tempting to try to devise ways for the TIS program to have even more impact and at the same time to reduce the negative criticism which it might incur. This section looks into some of the project issues and options which TIS is now facing.

1. TIS Obligation Towards Its Clients

The difficulties described in the preceding section, and the expressions of unhappiness by some TIS clients, underscore the inherent difficulties of intervening in the private international trading scene. We believe the criticisms indicate that TIS is making effective interventions. If TIS were not having an impact, we would not have been greeted with criticism, but rather with benign smiles.

What, exactly, is the relationship of TIS with its clients? Does TIS undertake an obligation to the client, particularly were there to be a written agreement to pay a fee based on performance? If a TIS marketing associate drops a client after the client has successfully completed a number of trial shipments, is there an implied commitment to attempt to link the client with another marketing associate in a reasonable time frame?

We suggest that TIS must accept some level of obligation to its client when it links the client to a buyer for trial shipments and assists in product adaptation. Absent a formal agreement and/or the payment of a fee by the client to TIS, the obligation is significantly less, and TIS can remain more detached from the transactions. But even under these circumstances, there is an implied obligation to assist the client until it becomes clear to TIS staff that further assistance will not be productive. At that point, TIS should put the client on written notice that it will not be able to continue its assistance until certain specified remedial actions are taken.

When TIS identifies a potential export client who is substandard in the company's ability to meet international market conditions, it should avail itself of IESC's pool of VEs, as well as other sources of technical assistance, to help the client improve its production and marketing capabilities.

2. TIS Spin-Off as a Private Trading Company

USAID has raised the question whether it would be more cost-effective to structure the TIS operation in such a manner that, over the next five years, TIS would be transformed into a private trading company, to be owned and managed by its own staff. Once the company was operating on a self sustaining or profitable basis, there would be no further need for public funding. One of USAID's concerns, that TIS facilitates the flow of public resources to the large, for-profit Moroccan firms, would be solved if the activity were self sustaining. We have explored this question and do not believe it is a feasible alternative.

Elsewhere in this evaluation we argue that TIS is providing the services equivalent to "entry costs" required to penetrate the North American markets. These costs exceed the funding which can be made available out of payments received from the initial trial export transactions, either by the broker/buyer (commission) or by

the producer, who already has cut his price to achieve a transaction in a new market where he does not enjoy recognition. If the costs cannot be met out of the transactions, we fail to see how the company can be self sustaining, least of all, profitable.

At best, such a structure would encourage the company to engage in the easy and safe transactions instead of functioning to achieve project goals. The objective of the TIS effort is to do pioneering work, much too risky with too much time lag between investment and return for a profit oriented trading company.

We also learned, in the course of this evaluation, that Boris Sokoloff, the IESC Country Director who negotiated the Cooperative Agreement in 1986, set up a trading company in Casablanca some years ago. He soon discovered that he could not make money as an exporter and dropped that side of the business. His company is still operating but now concentrates exclusively on imports into Morocco.

We also argue elsewhere in this report that there seems to be no need to engage in institution-building to leave behind an entity in perpetuity. It would appear that the project will have achieved its objectives when a sufficiently large (critical mass) of companies have established contacts in the North American markets, are recognized as being reliable suppliers and know how to operate therein. It is quite possible that this goal can be achieved within the next five years, given the limited number of companies that have the capacity to engage in such trade. One can debate the time frame needed to do this, but we see no need to create a permanent institution.

3. TIS: Temporary Service or Permanent Institution

The project purpose, "...to develop Moroccan private sector export trade ...," implies both short-term and long-term targets. Economic development interventions generally attempt to put in place an institution or service that will serve a need or remove an impediment to export growth, and this institution or service is expected to remain in place for some extended time period. The TIS approach seems quite different. The service is temporary in nature.

TIS work on olives for some time until the Moroccan olive producers had established their credibility and reliability in the North American markets. Then it ceases to assist because there is now in place a critical mass of Moroccan olive exporters who know how to deal in that market. TIS will move on to another product line and perform the same services (costs of new market entry), until that product line has also established recognition in the market or failed. Eventually, there will be enough successful Moroccan exporters in place who know their way

around the North American markets and have the needed contacts and recognition. At that point TIS services are no longer needed.

TIS is meeting a portion of the initial "entry costs" of Moroccan producers to penetrate the North American market. There are external benefits which are derived by the Moroccan economy from this operation, that would easily justify the costs as a one-time subsidy payment. Once the objective is reached, the subsidy ends.

On the other hand, the early and effective success of the TIS pilot operation suggests that it may be worthwhile considering a more concentrated, intensive operation over the next 5-year period.

Based on the performance of the past 27 months, and the relatively small number of Moroccan companies of sufficient capability to seriously operate in the international markets, it is conceivable that there will be little need for TIS to continue much beyond the next 5-year period. If so, there is no need to work towards self sustaining operations for a permanent TIS-type institution.

4. Cost Recovery and Client Fees

If TIS cannot be self-sustaining, should it recover costs through client fees?

On a few occasions very modest fees have been charged by TIS to its clients during the 27-month period of its operations. The IESC Cooperative Agreement, amended in July 1989 to include the TIS program, specifies that TIS will generate client fees for venture stimulation through a retainer for services, and export promotion through commission payments for export orders obtained by TIS. Due to some administrative delay in obtaining approval of the fee structure from USAID, TIS performed these services without charging any fees, contrary to the requirements of its Cooperative Agreement with USAID.

The report of the Regional Inspector General for West Africa dated October 9, 1991, calls attention to this discrepancy and urges USAID to complete the necessary steps to allow TIS to begin charging for services. TIS has proposed to USAID a sliding scale of from 1% to 10% for export orders and a fee for ventures implemented based on a modified Lehman formula (6% of the first \$2 million; 5% of the next \$2 million; etc.).

The Regional Inspector General is quite correct in identifying the discrepancy between USAID directions to IESC, as contained in its Cooperative Agreement, and the implementation of those directions. However, it may have been a stroke of good fortune for U.S. interests in general that these directions were not implemented.

Several TIS clients told us that they would be willing to pay TIS a fee to assure that the shipments would be properly handled. There is a clear perception that payment of a fee will bring TIS into the transaction and will result in greater protection of the clients' interest.

It is not clear that client fees would serve a useful purpose for the program. In the first place, it may expose both IESC and USAID to claims for damages from dissatisfied Moroccan clients if the fee is perceived to place obligations or liabilities on TIS for participation in the transaction. Even if there were no legal liability, the ensuing adverse publicity might do serious harm to U.S. interests. In the second place, the fee structure would not work well for trial shipments and a deferred commission might prove difficult to collect, leaving the IESC with delinquent receivables. Thirdly, and most importantly, it is not clear that a fee would serve to improve the workings of the program. The fees collected could not make TIS into a self-sustaining operation, even assuming such a status were shown to be desirable. Nor are they needed to demonstrate client interest. Fees will act to reduce TIS' credibility with both buyer and seller.

A.I.D. Evaluation Special Study Report No. 71, dated July 1991, titled "Export and Investment Promotion: Sustainability and Effective Service Delivery," reviews the findings of an in-depth survey of 10 Latin American export and investment promotion institutions. This study offers interesting guidance for this evaluation of TIS and for the design of any continuation of the program. Relevant conclusions are quoted below:

"Project designers have been somewhat cavalier in assuming that fees could and should be collected to improve institutional viability and performance. The study suggests that fees have a useful role to play but that fees are not an adequate source of revenue for sustainability, nor are increased fees necessarily conducive to promoting better institutional effectiveness.... Fees do not provide an adequate basis for sustainability, however, because full cost recovery fees on customized services would have to be unrealistically high.... Second, and perhaps most important, pressure to generate fees may actually interfere with effectiveness.

- A need to generate fees encourages investment promotion institutions to target the easy sectors (e.g., textiles in the Dominican Republic), rather than new sectors on the frontier.
- Many fee generating schemes would interfere with the institutions' credibility as an impartial source of reliable information for investors."

The relevance of these findings for TIS is that TIS should not be seen to be a permanent institution, but rather a valid, useful, temporary service providing

information and contacts during the interim period when Morocco's export sector needs to quickly learn how to enter the North American markets. It can do this without requiring the payment of fees. Once a critical mass of exporters learn to operate in these new markets, and information flows and contacts become more readily available, it is assumed increased trade will naturally follow.

5. Rationale and Justification for Full-Cost Financing

Normal brokerage commission fees for international shipments of the nature described here are in the 2-3% range. That fee has been shown to be inadequate to interest brokers in new efforts of market penetration by Moroccan producers. TIS is performing the services and covering costs that are characteristic of "entry costs". Only after a sufficiently large flow of product has been established, will the normal brokerage commission sustain interest by the marketing associate. As was the case with Huileries and Arguimbau, TIS funding became unnecessary after the flow reached certain levels.

Market penetration requires the producer to charge below market prices until he has become established and known in the new market. In a situation where the producer's price is being squeezed, and the broker is not receiving his normal return on his efforts, is there room for an additional fee to be extracted from the same transaction to repay TIS? If there is any hope at all for an additional fee to be paid, it probably would not be during the trial shipment period, and probably not until after the first 12 to 18 months of sales. If fee charges are determined to be an essential element of the TIS operation, some deferral arrangement would be needed to make such a fee structure viable.

TIS is meeting a portion of the initial "entry costs" of Moroccan producers to penetrate the North American market. There are external benefits which are derived by the Moroccan economy from such an operation, that would easily justify the small costs involved as a one-time subsidy payment.

The evaluators recommendation is that TIS is a successful trade and investment catalyst and should not attempt to compete with trade brokers. To do so would be self-defeating for the project.

6. Replicability/Continuity of TIS Approach by IESC

There is no question, from our analysis, as well as those who have been close observers, that the TIS program for the past 27 months must be classified an unequivocal success. It has already exceeded its project output target for export performance by almost 100% and looks like it will easily reach its output target for joint venture investment stimulation.

Questions have been raised with regard to the continuity of these results over time. Is the performance just "a flash in the pan"? How much of the success can be attributed to luck; to the institutional capability of IESC; to the personal capabilities and drive of the management and staff?

The program was designed from scratch and David Sullivan's imprimatur is all over it. Much of it was designed around his instinctive business sense, and he has been proven to be correct in many of his judgements. At the same time, he drew upon the strengths and capabilities of IESC and structured the program to take advantage of them.

We do not believe the TIS program's success is dependent on the characteristics of a single individual, but it will require that Mr. Sullivan, or someone with a very similar set of experience, training and business orientation, continue to provide the equivalent quality (and perhaps style) of leadership for TIS. It is also necessary that IESC and USAID continue to provide the flexibility and support that is an essential requirement of this effort.

The program's format is now established. TIS' recent efforts have laid the basis for new activities in tourism, spices and herbs and other areas. Thus a foundation is already in place for TIS to continue to support Morocco's export drive, using the modus operandi established during the past 27 months. It is essential that TIS operations not be allowed to lapse during any management hiatus.

J. Overall Conclusions and Recommendations for TIS

The scale of the TIS operation for the next five years should be reconsidered. It may be feasible to expand the program staff in Casablanca and in Stamford, and bring about a more rapid rate of Moroccan export expansion and venture stimulation.

One could suggest additional activities to be performed by TIS. Normally one would expect technical and international market information to be readily available to producers, either through local government channels or through commercial information services. Regrettably, this is not the case in Morocco. It may be desirable for TIS to utilize its Stamford link to channel such information into Casablanca, and then to disseminate it locally at some nominal charge.

The TIS Casablanca-Stamford link could also be used to good advantage to assist TIS clients who are ready to undertake investments for export production to secure information about U.S. technology, equipment and other requirements needed to implement the investment plan. This would promote U.S. exports.

Additionally, USAID's other projects might be more actively utilized to support ancillary activities that would strengthen the Moroccan private sector's capability to operate in the international marketplace. English language training, and training in international business management are two examples of such activities.

In this connection, we note that USAID now has added a new and major agribusiness development project to its portfolio (MAP). It is essential, in implementing this new activity, that care be exercised not to get in the way of the TIS program, now that it has demonstrated its effectiveness. It would be a pity indeed, if the same Moroccan agro-processors were to be allowed to become clients of both programs, unless the functions of the two programs were clearly separate and distinct. We have not had the opportunity to review the scope contemplated by MAP but suggest that any product line that is being developed for export by TIS, be excluded from the scope of the MAP. Alternatively, USAID may wish to consider IESC as a member of any consortium selected to implement MAP.

VI. THE BENEFIT/COST RATIOS

Before venturing into the thorny area of cost/benefit analysis we should point out that the TIS program is only 27 months old, hardly sufficient time to generate consistent results. There are time lags between investment and returns and, doubtless, much of the recent investment of time and resources by TIS is yet to yield results down the road. However, USAID seeks guidance to determine whether to continue the effort and, if so, how best to structure the activity to allow it to operate most effectively during the period 1992 through 1997 to contribute to program objectives. In light of the need for some guidance, we have performed our analysis even though we are working with less than the desirable level of verifiable data.

We should also point out that the information gathered through the surveys, both of TIS clients and regular VE clients, was not corroborated by audits to assure that the data provided to us was accurate.

A. Total Cost of IESC Components

On the "cost" side, the data as of June 20, 1991 shows that the following billings took place under the Cooperative Agreement:

CMPE	\$181,638.63
TIS	766,366.71
Export Develop Fund	10,718.12
Export Marketing Program	105,905.45
Export Production Projects	489,390.12
Management/Admin	1,002,223.35
	<u>\$2,556,242.38</u>

The following additional resources were utilized in connection with these programs:

Client Contributions	564,155 ¹
IESC Core Grant Funding (estimated)	527,000 ²
PRE Grant for TIS Start-up	<u>166,137</u>
Total Additional Resources	1,257,292
Total Charged to Coop. Agmt.	2,556,242
Total Costs through June 20, 1991	<u>\$3,813,534</u>

Estimates of expenditures for the third quarter of 1991, (through September 20, 1991), provided by IESC Casablanca, are:

TIS (including the unpaid travel costs)	\$ 130,000
VE program	121,000
Admin/management costs	60,000
Client contributions (estimated)	<u>\$ 40,000</u>
Total third quarter 1991	\$ 351,000
Total Resources through June 20, 1991	3,813,534
Total through September 20, 1991	<u>\$4,164,534</u>

¹ Cost of client contribution is calculated on the basis of VE projects completed during the period of the Cooperative Agreement and may not reconcile with IESC accrual method accounting system.

² IESC Core Grant funding is estimated based on costs which were not eligible for funding under USAID Cooperative Agreement during the period July 1986 through May 1991. After that date the IESC Core Grant no longer provided any funding for the Morocco program.

We attribute the total program cost through September 20, 1991 of \$4,164,534 as follows:

CMPE	\$ 181,639
TIS (including PRE Grant)	1,062,503
VE Program	1,858,169
Management/Admin.	1,062,223
Total	<u>\$4,164,534</u>

1. VE PROGRAM COSTS

We have not had occasion to evaluate the activities of the Export Development Fund but, for the sake of simplification, are adding the small amount of that program to the costs of the 11 Export Marketing Projects.

The 89 VEs for the Export Production projects (84 through June 1991 and five completed during the quarter ending September 20, 1991) plus the 11 VEs for the Export Marketing projects, totals 100 VE projects. That averages \$ 18,582 per typical VE program of six week duration in Morocco (of which the average client contribution is 32.5%). The remainder of the cost was funded almost equally by the Core Grant and by the Cooperative Agreement.

If the management costs are attributed exclusively to VE projects, the total per project cost increases to \$29,204, including the client contribution.

Another way to calculate value (as distinct from cost) of the typical VE program would be to include the value of the volunteer element. There are three elements of cost associated with the typical VE project. These are (a) recruitment and administrative cost, (b) travel and per diem, (c) imputed fee to the VE for work performed.

In the case of a typical consultancy without a volunteer element, the recruitment and administrative costs normally represent a 75% to 100% add-on to the consultant's fee. Typical travel and per diem would be only that which is required for the consultant, while the IESC VE program provides travel and per diem for both the VE and the VE's spouse.

A six week consultancy for someone who has the capability of a typical VE would cost \$469 per day³ for 36 working days or \$16,884. The administrative overhead, at 75% of fee would cost \$12,663. Per diem would cost about \$5,500

³ Based on Price Waterhouse audit of IESC accounts for 1990

and a single round trip business class ticket would cost \$3,100. Total cost of the six week consultancy would be \$38,147. Generally such consultancies would not include local in-country support from an office such as IESC maintains in Casablanca.

2. TIS Program Costs

During the initial 27 months of the program (through September 30, 1991), total cost of the TIS operation (Casablanca and Stamford) came to \$896,366 charged to the Cooperative Agreement plus \$166,137 charged to the PRE Grant. Of that amount, direct cash outlay by TIS to U.S. marketing associates was \$42,433 plus about \$25,000 in travel costs still to be processed (8% of total cost). The 10 VE sector survey costs totaled \$54,211. One-time cost of start-up equipment and promotion tools to set up TIS came to \$90,582 in addition to the PRE Grant of \$166,137. The remainder (\$684,140) represents overhead and salaries of the Casablanca and Stamford operation. These costs are now running at about \$38,000 per month, covering activities at the current workload.

TIS Program Costs

TIS Marketing Associates	\$42,433
TIS Associates unpaid travel costs	25,000
10 VE Sector Surveys	54,211
Equipment	90,582
Salaries/Overhead	684,140
Total through September 30, 1991	<u>\$896,336</u>
PRE Grant for Start-Up	166,137
	<u>1,062,503</u>

The normal cycle of TIS assistance usually begins with a sector survey, to identify the opportunities, the constraints and the key producers in a given product line. This is followed by (or may be contemporaneous with) TIS staff locating U.S. buyers or brokers to visit Morocco for exposure and feedback on what it would take to penetrate the U.S. market, to identify and build some linkage with the producers and to undertake some trial orders. Often, there is need for product adaptation, investment in new equipment, absorption of new processing techniques and understanding of how the U.S. market works. Samples are developed and trial shipments begin.

The Stamford office works closely with Casablanca in locating U.S. brokers or volunteer experts, sources of information, and in performing expediting services and problem solving. Stamford also avails itself of the roster of Volunteer Executives and utilizes them for work to be done in the U.S. This channel is

essential to the TIS operation. The focus of the effort is to generate a sufficiently large and consistent flow of product so that further TIS assistance is not required and the relationship between producer and importer becomes self-sustaining.

The outstanding success of the initial 27 month TIS operation is the flow of bulk drummed and canned olives and olive oil from Huileries de Meknes through Arguimbau. The next likely breakthrough may be sardines and anchovies. TIS has invested in a range of other sectors, including tourism, pottery, pickles, capers and peeled tomatoes. These have yet to show any appreciable return.

If records of staff time spent by TIS for each client had been maintained, we could have calculated accrued costs per client. Unfortunately, such records are not available. However, we have made an attribution of the approximately \$800,000 in operating costs paid out of the cooperative agreement (\$896,000 less equipment costs), and conclude that 15% represents costs for work in process that did not, as yet, materialize in client shipments (tourism, spices and herbs); 25% represents cost of work performed that failed to yield results (fresh/frozen fish, marble), and 10% represents effort to promote joint ventures. Of the remaining \$400,000, we attribute \$150,000 to olives and oil, \$50,000 each to sardines and anchovies, \$75,000 to ceramics/artisanal, and \$25,000 each to tomatoes, capers/pickles and miscellaneous.

Attribution of TIS Operating Costs

Joint Venture Activities	\$80,000	10%
Major Breakthroughs		
Olives & Olive Oil	150,000	19%
Trial shipment stage		
Sardines	50,000	6%
Anchovies	50,000	6%
Ceramics/Artisanal	75,000	9%
Tomatoes	25,000	3%
Capers	25,000	3%
Pickles, etc.	25,000	4%
Preliminary Efforts in Progress (Tourism, Spices, etc.)	120,000	15%
Failed to Yield Results	200,000	25%
	<u>\$800,000</u>	<u>100%</u>

These are only "best guess" estimates but we believe that a reasonable pattern emerges, based on the functions that had to be performed, and the 27 month time period during which the services were performed. That analysis suggests the following:

1 - For successful efforts, we should think in terms of 24 to 36 months lead time between the beginning of TIS investment in export promotion efforts for a product line and the achievement of a sustained flow of exports;

2 - At least 25% of the effort will be for unsuccessful ventures;

3 - The most successful TIS product line (olives and oil), had direct costs of \$150,000 to generate \$4,135,000 in exports over 2-years. Thus, a fee of 3.6% would have been needed to recover only the direct costs during a two year period. An additional factor would have to be added to recover the pro-rata share of costs for unsuccessful efforts and the time value of the funds that were tied up during the intervening period between investment and return.

4 - Ceramics/artisanals still require further effort beyond the \$75,000 expended to date. If we assume this sector will require the same expenditure level that we attributed to olives/oil (\$150,000), a fee equal to 1% would require \$15,000,000 in export orders over some period of time to which an exporter is willing to commit, to recover only the direct costs of the promotion effort.

B. Benefits Derived

1 - The CMPE advisor's costs yielded very little in tangible benefits for the institution-building aspects of the program. Some of the work of the adviser was a useful preparation for the TIS operation.

2 - The direct, short-term benefits of the TIS program have been calculated in the foregoing section at \$6.5 million in exports to the North American market. A qualifier to this figure is the question of whether some of the exports were in fact a shift of product from one hard currency market to another. In some instances the value added would be a more accurate measure of true benefit. On the other hand, these companies overcame the psychological barrier for the first time, of shipping to a market that is unfamiliar to them, and which is non-French and non-Spanish speaking.

There are also two possible joint ventures which may be executed before the end of the Cooperative Agreement.

One would have to impute the present value of an uncertain future stream of earnings for future exports. The value of the joint ventures which may materialize in the near term could also be included.

TIS catalyzed action which resulted in benefits both to the client and to Morocco's economic growth. The indirect benefits, new investment by TIS clients (\$12

million in the case of Huileries de Meknes alone) and quality improvements among several firms might also be included in the calculation.

We believe that little purpose would be served by formulating an equation and imputing values based on challengeable assumptions for all these factors. However, intuitively, using the rule of reason, one cannot escape the conclusion that the derived benefits from TIS, compared with the investment of about \$900,000 to date by USAID to fund TIS for the past 27 months, place this activity among the most effective private sector export promotion efforts on record.

3 - One cannot, as easily, draw the same conclusion about the effectiveness of the VE program. One hundred American Volunteer Executives have worked with a large segment of Moroccan industrial producers and exporters over the past five years. There are a few outstanding success stories, some with direct benefits to the firm and indirect benefits to the economy, far exceeding the investment in the individual VE program. However, our survey results are skewed towards the negative because IESC management did not exercise adequate controls to resolve individual problems as they arose. The problems festered and eventually yielded less than optimum results from some of the program's investment.

Had better management been available, we believe the overall impact of the effort would have been considerably improved, with the result that the program could be generally accepted as bearing a satisfactory return on investment.

It is also not appropriate to ascribe all management costs of the IESC operation in Morocco to the individual VE projects. A considerable part of the effort of the management staff is business development. This involves contacting many companies, diagnosing and defining, with the company personnel, the problems that are to be resolved with the aid of the VE that is to be recruited by Stamford office. That operation alone, has value for the firm, even if no project is executed.

Is the IESC VE program, as opposed to other sources of technical expertise which USAID may make available for the Moroccan private sector, still a "good buy"? Is it cost effective?

The full cost of the typical IESC VE project, \$30,000, is in the ball park range of what it costs USAID to procure short-term consultants. But we believe IESC offers greater value for two reasons. First, AID contractors will deliver a consultant to AID that would normally receive compensation at \$300 per day. The market value of a typical VE would be approximately \$500 per day. Second, the IESC VEs will define their scope of work based on their business-minded perception of the problem. U.S. Government contracting is fettered with constraints which many times distort the definitions contained in the scope of work. Furthermore, the

public officials responsible for such programs are often too far away from the problem to contract effectively for it with the required precision.

While it is not possible to quantify our findings of satisfactory return for the VE program's investment in any unequivocal manner, we believe other evaluations of similar IESC programs in other countries with similar conditions come to similar conclusions. Our assessment is that the program is of sufficient value to be continued, albeit at an improved level of management and focussed more directly on support of the TIS program.

VII. ASSESSMENT OF OVERALL ACHIEVEMENTS TOWARD PROJECT OBJECTIVES

There are strong indications that Moroccan producers perceive the domestic commercial environment to be improving. Those exporters who have traditional ties to European markets are worried that they will be shut out of the European Community after 1992 and are searching for new markets, particularly North America. This will require new trade links to untested markets and an image of reliability as an international supplier. Our survey of TIS clients, as well as other firms, confirms that these concerns are a strong motivator to them to search for new markets.

The project purpose for project 608-0189 is "to increase exports by Morocco's private sector". Its sub-purpose for the export assistance component, as amplified by Project Paper Supplement No. 1, is:

- "- to improve the export production and marketing capacity of beneficiary firms;
- "- to improve the capacity of the Moroccan Center for Export Promotion to service private exporters; and
- "- to stimulate the development of joint ventures between the Moroccan and foreign private sectors, especially the U.S. private sector, and to develop Moroccan private sector export trade, primarily toward North America."

The project outputs for the relevant components, as revised by Project Paper Supplement No. 1 dated July 1989, were:

- "1. Management and technical skills will be improved in approximately 130 firms assisted by the IESC.
- "2. Improved information and services will be provided by the CMPE.
- "3. Studies and activities supporting export promotion will be undertaken.

"4. 1-3 joint type ventures completed between Moroccan and U.S. private sectors.

"5. \$2-4 million in Moroccan exports developed."

A minor shortfall may have occurred in project output 1., in that the number of firms directly assisted by VEs may be less than 130. However, the 11 Export Marketing Projects were activities involving more than one firm per project. We count 89 firms that have received "one on one" assistance through the VE program as of September 30, 1991. It may be of greater significance that the quality of assistance received by the firms may not have been on a par with normal IESC expectations.

Project output 2 does not appear to have been achieved.

It would appear that all three of the remaining project targets have been achieved or exceeded. We believe as much or more than was hoped for by those who approved the project in 1986, with respect to this element of the project and its impact on Morocco's export growth, has been achieved. Morocco export statistics are available only for 1990. We believe the 1991 statistics may begin to reflect the impact of this project, particularly with respect to exports to the U.S.

VIII. FINDINGS AND CONCLUSIONS:

A. Achievement of Overall Project Objectives

(1) Except for project output #2 dealing with institutional development of CMPE, and a minor (perhaps 10%) shortfall in the number of VE programs that were to be completed under the Cooperative Agreement, all project output targets will have been achieved by project end. The Export Production and Marketing Assistance component of the project probably has achieved at least as much as the original design, amended in 1989, intended.

(2) The project has been highly relevant to Morocco's needs. The Moroccan policy framework for export promotion improved during the life of the project. The project purpose has taken on greater relevance as Moroccan exporters come under increased pressure to locate and penetrate new markets since they face increased restrictions from their traditional markets when the European Economic Community is formed, beginning in 1992.

(3) The firms that offer the greatest opportunity for fast growth of exports are the 785 largest firms (those with more than 100 employees) which also employ 61%

of industrial employees, and contribute 70% to production, 78% to exports and 66% to investment.

B. VE Program Impact

(1) Over the five year period ending September 30, 1991, the VE program carried out 100 VE interventions, of which the firm level impact survey covered a sample of 52 interventions for 45 firms. The survey revealed that out of 52 export production projects, approximately 20 can be considered successful, 17 partially successful and 15 seriously deficient.

(2) From the firms' perspective, the critical factors in the success or failure of a VE intervention depended on how well the VE's skills matched the client's problems, the VE's ability to adapt to local situations, successful timing of the VE intervention, the level of energy the VE displayed, the VE's ability to communicate in spite of the French language barrier, and the preparation and duration of the VE intervention.

(3) A quantitative analysis of the performance of 60 IESC-assisted firms, grouped into ten sectors was undertaken to compare their performance (measured in growth of production, exports, employment and investment) with the comparable sector as a whole. Statistical comparisons among this data do not reveal any clearly distinguishing characteristics of the IESC-assisted companies, in terms of their performance vis-a-vis their sector, to suggest any implicit collective impact from the VE program. However, we performed a similar analysis of performance data for ten IESC assisted companies in the food, textile and paper products industries, that were classified as having been the beneficiary of "successful" VE assistance projects. That analysis did reveal improvement in the production and export performance of the food and textile industry clients that exceeded the average for their sub-sectors.

(4) Overall, one cannot draw a positive conclusion about the effectiveness of the VE program. 100 American Volunteer Executives have worked with a large segment of the Moroccan industrial producers and exporters over the past five years. There are a few outstanding success stories, some with large and direct benefits to the firm, and indirect benefits to the economy. But overall impact is not evident or statistically verifiable.

(5) One reason for the less than optimum impact is that IESC management did not exercise adequate controls to resolve individual problems as they arose. The problems festered and eventually caused the program to yield less than optimum results from some of the program's investment.

(6) Lack of continuity in the IESC management due to the turnover of six Country Directors in the relevant five year period has had negative effects on the program. In spite of the superior quality of some of the Country Directors, the lack of continual day-to-day management of an acceptable normal quality is the single most important cause of the substandard program impact.

(7) Regrettably, the evaluation findings indicate that IESC Casablanca management before, during and after the VE intervention has been inadequate throughout the life of the Cooperative Agreement. IESC management of the program was weak in monitoring VE programs to solve operational problems that impeded the VE's effectiveness with the client. It did very little to follow-up with the client, at some period after the departure of the VE. This has resulted in little follow-through on VE recommendations on the clients' part. Sound management of these functions might have yielded a higher return on the rather substantial USAID investment in this program. It also might have avoided the unusual number of negative responses from clients, which our survey revealed.

(8) IESC management did not establish a sound baseline data bank on its clients, nor did it organize the data in a manner that lends itself to easy access, (although, in all fairness, the Cooperative Agreement did not require baseline data collection as is called for in the Project Paper).

(9) There is a direct correlation between the IESC marketing effort and the effective demand for the program. IESC Casablanca did not pursue its marketing efforts with sufficient vigor in the outlying cities.

(10) The IESC method of accounting and charging for home office services in support of the VE program results in more emphasis on the number of VE programs implemented, rather than on the quality and effectiveness of each project that is implemented.

(11) IESC charges all firms a flat fee of \$6,000 for the first month and \$3,000 for each additional month of the assignment. The evaluation concluded that the fee structure acts as a disincentive to full utilization of the VE, in that it tended to limit the duration of the assignment at less than the full three month period.

(12) IESC has established an Advisory Board, comprised of Moroccan business leaders who have agreed to provide broad policy guidance and help IESC with their business contacts in the community. The Board appears to be dormant at this time. Other IESC programs find such a mechanism to be quite useful.

(13) Lack of official organizational status for IESC has not been a major factor in reducing IESC effectiveness, although it has added to costs and has caused inconvenience. On the other hand, placing the project under a project agreement

with a Moroccan Government agency would result in different problems and costs. Most likely, it would add a level of reporting and would inject a Ministry into the relatively government free operation of IESC.

C. Impact of TIS Program

(1) This activity is among the most effective private sector export promotion efforts on record. As of September 30, 1991, 27 months after the start of the TIS program, TIS can document 22 exporters who have been assisted in obtaining firm, valid export orders (not all, as yet, shipped) in the aggregate amount of \$6,558,333 to the U.S. under this program for an investment by USAID to date of \$900,000, plus the PRE grant of \$161,561.

(2) The survey data suggests that the Moroccan producers perceive that TIS' most important contribution was the contacts and referrals provided to them to U.S. importers/brokers and the credibility which they derived from association with TIS in dealing with the U.S. broker.

(3) There is insufficient data to determine the precise amount of investment undertaken by TIS clients, resulting from their contact with TIS staff and associated brokers. Moreover, it would be impossible to directly ascribe the cause for these investments to TIS. TIS clients do not perceive TIS as having played a major role in their investment decisions. But the observed reality indicates that TIS has indeed generated new investment by its clients, and seems to be close to achieving two joint ventures. We also believe the new export flows to the U.S. derived from the TIS program, are reaching backwards to impact on other segments of the Moroccan industry.

(4) There was also recognition of the value of follow-up performed by the TIS staff, and the clarifications resulting from TIS intervention in the communications flow between the broker and the Moroccan producer.

(5) The TIS operation probably has a demonstration effect, which may lend itself to measurement in the future if adequate records are kept.

(6) TIS is performing the services and covering costs that are characteristic of "entry costs" to penetrate a new market. Only after a sufficiently large flow of product has been established, will the normal brokerage commission sustain interest by the broker.

(7) It is not clear that client fees would serve a useful purpose for the program. In the first place, it may expose both IESC and USAID to claims for damages from dissatisfied Moroccan clients if the fee is perceived to place obligations or liabilities on TIS for participation in the transaction. Even if there were no legal liability, the

ensuing adverse publicity might do serious harm to U.S. interests. In the second place, the fee structure would not work well for trial shipments and a deferred commission might prove difficult to collect, leaving the IESC with delinquent receivables. But, most importantly, it is not clear that a fee would serve to improve the workings of the program. The fees collected could not make TIS into a self sustaining operation, as described in the report.

(8) We suggest that TIS must accept some level of obligation to its client when it links the client to a buyer for trial shipments and assists in product adaptation. Absent a formal agreement and/or the payment of a fee by the client to TIS, the obligation is significantly less, and TIS can remain more detached from the transactions. But some reasonable "good faith" effort to help meet the client's needs is required.

D. USAID Management of the Program

The problems of IESC program management were the worse confounded because USAID attempted to overcontrol the management of the activity. This resulted in diversion of focus from substantive tasks to administrative matters, and impacted negatively on performance.

E. Gaps in our Knowledge

(1) The evaluation team looked closely at the likelihood of increased employment derived from export promotion activities and concluded that in the short run, it is doubtful that there is a significant impact. On the other hand, the evaluators believe that employment would be more likely to be increased over the long term by new investment in existing plant expansion, new plant construction, and by demonstration effect on competing firms.

It was beyond the scope of work of the evaluation team to look at the increased employment due to upstream impact in the production line. The Moroccan Input-output model would give some indication of applicable ratios of upstream employment generated from investment in subsectors.

(2) While the direct correlation between marketing and the demand for the VE program would indicate that there is a sizeable unmet demand for the types of consultant services offered by IESC, it was beyond the evaluation scope of work to analyze whether VE interventions were in direct competition or elbowing out other indigenous consulting firms. Many IESC client firms stated openly that they were prepared to confide their company's internal problems to a foreign VE and not to a

local consultant. This further suggests the unique acceptability to the client of the IESC VE compared to local consultants.

(3) The issue is bigger than the mere question of competition. Supply side stimulation, i.e., a donor subsidy to a single consulting firm like IESC, is justified only if there are no or few other possible sources of expertise available to Moroccan firms. If significant sources of competing expertise exist, donor subsidies should more appropriately go to stimulate the demand side.

Appendix K describes the French program equivalent to IESC's VE program in Morocco.

F. Recommendations for the Remainder of Operations Under the Current Cooperative Agreement

(1) The current Cooperative Agreement should be revised as quickly as possible to:

- (a) eliminate the spending limit on administrative costs;
- (b) eliminate the requirement for TIS to charge fees to TIS clients;
- (c) eliminate restrictions on IESC flexibility to resolve VE project problems (i.e., replace unsuitable VEs, waive client fees for follow-on VE projects when needed to resolve past problems, etc.)

(2) Improved accounting systems should be introduced in the IESC Casablanca office to restore USAID's confidence that the funds are being used for their intended purposes.

(3) IESC should immediately take remedial action to improve its management of the VE program before, during and after specific interventions. It should:

- (a) monitor projects now being implemented in a more satisfactory manner to get the most benefit out of each VE;
- (b) organize project related information in a systematic manner on its computer facility;
- (c) pursue its future marketing efforts with a view to avoiding the problems identified in this evaluation report; and
- (d) organize a retrospective follow-up effort, particularly for projects completed within the past 18 months, and take corrective action to ameliorate client perceptions of dissatisfaction.

(4) The fee structure for VE projects should be changed to eliminate the disincentive for clients to request VEs for shorter periods of time than needed to accomplish the client's objectives. The fee structure should remain at \$6,000 for

the first month but should be revised to, let us say, \$4,000 for the following 60 days or any portion thereof, to act as a disincentive to scheduling of VE tours that are less than three months duration.

(5) It might be advantageous to reactivate the IESC Advisory Board and to involve them more in the program, if USAID determines to continue the program for an additional five years.

(6) TIS should utilize its U.S. link to establish a flow of international market and technology information into its Casablanca office, and to distribute such information to the export community. It might also feed back to its Stamford office, information about new investment contemplated by TIS clients, so that U.S. suppliers might be informed and invited to compete for the business.

(7) The IESC activity should be kept outside the framework of a Moroccan Government project by making future grants directly to IESC Morocco, but an effort should be made to legitimize IESC's status in Morocco.

G. Key Recommendations for the Program's Future - 1992 to 1997

(1) In light of our findings we believe the structure of the present Cooperative Agreement requires considerable modification to allow for optimum employment of IESC resources to meet USAID program objectives. With TIS having shown itself to be such a high impact program, it should form the central thrust of the new project. Continuation of the present structure would result in "the tail wagging dog". USAID should now build around its success.

(2) The VE and TIS activity should be made to be mutually supportive, thereby enhancing its overall effectiveness. IESC has a talent pool that can serve export producers' needs. The various IESC services (i.e., ABLE), when applied in concert, can make major impact on the growth of Morocco's private export sector.

(3) The scale of the IESC operation for the next five years should be reconsidered. It may be feasible to expand the program, the staff in Casablanca and Stamford, and bring about a more rapid rate of Moroccan export expansion and venture stimulation.

(4) The resources of IESC should be structured in an integrated, mutually supportive way. IESC should capitalize on the successful operational methods of TIS by taking the lead from TIS, and use VE and other IESC resources fully to support client companies that are identified by TIS as being close to the point where they can make a breakthrough. Other clients may be found, not related to the TIS program, and these should be judged on their own merits. But the heart of the program should be based on the TIS operation.

(5) Contrary to the conventional wisdom, we believe an export focus for the IESC activities is useful, if it is not too rigidly applied. It is both an important USAID program objective, and IESC's strong suit. It is a priority of the Moroccan Government. The policy framework seems to be improving and forthcoming events with respect to the Common Market suggest that there will be strong interest on the part of the Moroccan producers to situate themselves in the North American markets.

(6) Once introduced into the U.S. market and gaining recognition for product reliability, there is likely to be some vertical integration of producer and distributor, as happened in Spain. This may lead to some significant joint ventures between U.S. firms and Moroccan firms. IESC can play an important role in promoting those joint ventures.

(7) TIS should not be seen to be a permanent institution, but rather a valid, useful temporary service providing information and contacts during the interim period when Morocco's export sector needs to quickly learn how to enter the North American markets.

(8) The TIS program's format is now established. TIS' recent efforts have laid the basis for new activities in tourism, spices and herbs and other areas. Thus a foundation is already in place for TIS to continue to support Morocco's export drive, using the modus operandi established during the past 27 months. It is essential that TIS operations not be allowed to lapse during any management hiatus.

(9) One could suggest additional activities to be performed by TIS. Normally one would expect technical and international market information to be readily available to producers, either through local government channels or through commercial information services. Regrettably, this is not the case in Morocco. It may be desirable for TIS to utilize its Stamford link to channel such information into Casablanca, and then to disseminate it locally at some nominal charge.

(10) The TIS Casablanca-Stamford link could be used to good advantage to assist Moroccan clients who are ready to undertake investment for export production to secure information about U.S. technology, equipment and other requirements needed to implement the investment.

(11) Additionally, USAID's other projects might be more actively utilized to support ancillary activities that would strengthen the Moroccan private sector's capability to operate in the international marketplace. English language training, and training in international business management are two examples of such activities.

(12) To assure USAID project coordination, it is essential to design and implement the MAP project so that it will not get in the way of the TIS program, now that it has demonstrated its effectiveness. We suggest that any product line that is being developed for export by TIS be excluded from the scope of the MAP.

Alternatively, USAID may wish to consider IESC as a member of any consortium to implement MAP.

(13) Based on the performance of the past 27 months, and the relatively small number of Moroccan companies of sufficient capability to seriously operate in the international markets, it is conceivable that there will be little need for TIS to continue much beyond the next five year period. If so, there is no need to work towards self sustaining operations for TIS. TIS is meeting a portion of the initial "entry costs" of Moroccan producers to penetrate the North American market. There are external benefits which are derived by the Moroccan economy from that operation, that would easily justify the costs as a one-time subsidy payment. Once the objective is reached, the subsidy ends.

(14) The question of whether to have 220 VE projects over the next five years appears to be irrelevant. There is no assurance that 220 VE projects will have any more impact on Morocco's productive sector in the next five years than 115 projects had these past five years. What may be more to the point is how to utilize the resources of IESC most effectively to achieve specific, measurable private sector growth targets in Morocco. As suggested previously, the link between the VE program and TIS may best serve this end.

(15) Based on past TIS experience, a planning figure of \$7 million for five years to fund the entire activity seems to be inadequate as a level of resources to achieve attainable outputs. The following section deals with the organizational structure, funding and staffing and may provide some assistance to USAID. Most likely, the level of funding needed to achieve the desired goals within five years will be in the \$9 to \$10 million range. Whether it will take 220 VEs or some other number is not predeterminable.

H. A Possible Approach for the Organization of the New Effort.

Certain organizational restructuring of the IESC operation for Morocco, for the five year period beginning July 1992, is needed to accommodate the new emphasis on TIS, and the supporting role to be played by the VE program for TIS.

USAID should avoid the detailed microcontrol over the normal operating procedures for IESC but should exercise its oversight responsibilities through the mechanism of periodic comprehensive reviews of IESC proposed periodic work plans.

Initially, the Cooperative Agreement prepared by IESC for consideration of USAID, should specify the detailed work plan to be followed during the first 18 months of the five year period (July 1992 to December 1993). This work plan for the first 18-month period will be based on the strategy which TIS is now pursuing; namely, to bring the initial efforts of the product lines which are now the subject of trial shipments and broker promotion efforts, to the market penetration stage. It will expand the strategy to add product lines to the TIS operational focus which the sub-sector surveys indicate to have merit (spices and herbs, tourism, etc), as and when IESC believes it to be appropriate. However, there will be a more intense pursuit of these product lines which will be made possible by the addition of local and U.S. staff, both in Casablanca and in Stamford.

IESC will continue to submit quarterly reports to USAID, as has been done in the recent past, to allow USAID to monitor progress of the program. If USAID finds reason for concern with the conduct of the program, it will raise such concerns with IESC for resolution. If IESC finds that it needs to make significant departures from the agreed work plan, it will request USAID's concurrence to make such departures.

It is not possible to plan, at the outset, how and at what pace the TIS program will operate throughout the five year life of the project. Therefore, IESC will submit to USAID, towards the end of the fifth quarter of the project, (September 1993) a new draft proposed work plan for the 12 month period beginning January 1994. A "full court" hearing will be held in USAID Rabat during October 1993, attended by the IESC Regional V.P. and such other IESC personnel from Stamford and Casablanca as are deemed necessary, to consider and review the new work plan. Approval to implement the ultimately jointly agreed work plan will then be given by the USAID Project Manager, together with a commitment for the required funding to carry that work plan through its 12 month duration.

A similar procedure will be followed in September/ October 1994, to consider the draft proposed work plan for the 12 month period beginning January 1995.

A final draft work plan for the last 18 months of the project life, (January 1996 to July 1997), will be prepared by IESC and submitted to USAID in September 1995. A similar procedure for review and approval of that work plan will be followed, as with the earlier three work plans.

It is believed that this procedure will allow the USAID Project Manager to monitor the conduct of the project and will provide a satisfactory mechanism for oversight without burdening the project with undue and counterproductive operational intervention by USAID into the administration of the project. Each approved work plan will receive funding to carry it through the period of the work plan only.

I. Project Funding and Staffing.

The present level of operational funding for TIS (\$38,000 per month) is likely to be increased to \$75,000 per month to allow for increases in the staff of both Casablanca and Stamford, to expand the level of activity for the current TIS operations and also to accommodate the following new or expanded functions:

- Tourism Development;
- Venture Stimulation (including management of a small Venture Capital Fund);
- Market and Technology Information Service, (including assistance to TIS clients in locating U.S. sources of equipment);

In addition, \$300,000 per year will be needed to supplement client contributions for TIS client technology support, (VEs, short term paid U.S. consultants, and, if and as needed, non-U.S. consultants, i.e. Canadian or those from Morocco's competing supplier countries).

On the administrative side, funds (estimated at \$400,000 per year) will have to be provided to pay for additional accounting personnel, a local deputy director of the IESC Casablanca office and, if required, salary for a U.S. Country Director. IESC must assure USAID that it is prepared to hire the necessary long-term sustained management to staff the Casablanca office.

The IESC marketing effort will focus on the TIS operation, to assure that TIS clients are able to obtain technical assistance to bring them to the point where they will be in position to market successfully to the North American markets.

We do not believe the TIS program structure is unsustainable without the personal leadership of its present manager, David Sullivan. But it will require that Mr. Sullivan, or someone with a very similar set of experience, training and business orientation, continue to provide the equivalent quality (and perhaps style) of leadership for TIS. It is also necessary that IESC and USAID continue to provide the flexibility and support that is an essential requirement of this effort.

The IESC Country Director and his Deputy should provide USAID with regular inputs to guide USAID on how to support the TIS operation with policy dialogue.

A Scope of Work

ATTACHMENT A
EVALUATION SCOPE OF WORK

I. ACTIVITY TO BE EVALUATED

The evaluation will focus on the activities of the International Executive Service Corporation (IESC) funded by an A.I.D. Cooperative Agreement under the Private Sector Export Promotion Project (No. 608-0189).

The IESC Cooperative Agreement has a life-of-project funding of \$4,040,000. IESC began their activities in Morocco under a centrally funded grant in September 1984. In 1986, after the authorization and obligation of this project, funding for the IESC Cooperative Agreement was provided by the Mission. The current Agreement will terminate on June 30, 1992. The Cooperative Agreement covers two programs: the traditional IESC program which provides Volunteer Executives (VE) in export production and export marketing activities to Moroccan firms; and the Trade and Investment Service (TIS) program to increase trade and investment contacts between the United States and Morocco. The VE program has been in place since the start of the Cooperative Agreement, whereas the TIS program began in July, 1989.

II. PURPOSE OF THE EVALUATION

The planned evaluation will fulfill requirements specified in the Cooperative Agreement for an impact evaluation to take place approximately six months before the completion date of the Agreement. It will be the final evaluation of the IESC Cooperative Agreement under Project 608-0189. It will cover all activity during the full period of the Cooperative Agreement.

USAID/Morocco has decided to conduct this evaluation ahead of schedule (October 1991 instead of January 1992) so that information from the evaluation will dovetail with the design schedule of a planned follow-on project that would support the IESC VE and TIS programs beyond June 30, 1992. The Mission needs to have a completed draft evaluation report no later than November 15, 1991 to accommodate the planned design schedule.

III. BACKGROUND

A. Relationship to Overall Project

The Private Sector Export Promotion Project began in May 1986 with total life-of-project funding of \$20,000,000. The project consisted initially of three components: creation of a new export credit insurance facility; an export pre-financing credit facility for small and medium-sized enterprises; and the Cooperative Agreement with IESC. The project was subsequently amended on two occasions: first, in July 1989, through an addition of funds to the IESC Cooperative Agreement (adding the TIS program); and second, in August 1990, through a reduction in the size of the pre-financing component and the addition of a fourth component, an export loan guaranty fund. As a result of the two amendments, life-of-project funding was increased to \$29,400,000. Of this total, and as stated above, \$4,040,000 is for the IESC Cooperative Agreement, including an initial \$2,800,000 and a subsequent net addition of \$1,240,000 in 1989 to cover TIS.

In terms of the specific project components, the establishment of a new autonomous export credit insurance institution with private sector participation in ownership and management has been largely successful, resulting in the transformation of the formerly government-owned Société Marocaine d'Assurance à l'Exportation (SMAEX) (Moroccan Export Insurance Company) into a 50% privately owned company.

The second component was aimed at creating a financial facility that would permit additional pre-export credit for exporters within the context of credit ceilings and allocations (these have been recently lifted). This facility did not meet its objectives and a portion of the funds for this component were reprogrammed in 1990 to create the export loan guaranty fund for small and medium exporting firms. That fund became operational in July 1991.

The third component, implemented through the IESC Cooperative Agreement, was designed to provide in-factory assistance to private companies to resolve pragmatically various production and marketing problems constraining increased exports (VE program), and subsequently to provide additional direct assistance to exporters in accessing foreign markets and joint venture partners, principally in the United States (TIS program). It should also be noted that the IESC Cooperative Agreement initially funded a long-term advisor to the government-operated Centre Marocain de Promotion des Exportations (CMPE) (Moroccan Export Promotion Center) to assist Moroccan exporters in trade promotion and information activities. However, when it became clear that bureaucratic constraints within the CMPE hindered it from achieving its intended purpose, the IESC adviser was removed from the CMPE and reassigned in 1989 to the newly established TIS program.

B. Findings of the Mid-term Evaluation

A mid-term evaluation of the overall project was completed in April 1990 to fulfill requirements for an evaluation halfway through project implementation. The evaluation made recommendations on each project component, including the reduction of the export pre-financing component and the setting up of the export loan guaranty fund.

Regarding the IESC Cooperative Agreement, the mid-term evaluation focused on the traditional VE program (TIS had only just begun at that time). It found that VE assistance had been provided to a wide range of firms. Most assistance was directed at textile manufacturing and agro-industrial firms with more than 250 employees and greater than Dh 10,000,000 in turnover. The comparatively large size of the firms assisted was mainly due to the export orientation of the project. Small scale firms in Morocco generally do not have the productive capacity to respond to the requirements of the export market. While the VE program had had a number of successes, the mid-term evaluation was unable to measure the VEs' impact on exports per se. Instead, the VEs had a significant impact in reducing production costs for participating firms and had made these firms more efficient and competitive.

The mid-term evaluation identified a number of factors which limited the success of the VE program. These included:

- o occasional improper matching of VE skills and the inability of some firms, primarily small scale, to benefit optimally from VE assistance;
- o frequent inability of VE's to communicate in French, and equally frequent inability of Moroccans to communicate in English; and
- o organizational problems, including too frequent turnover in IESC top management positions in Morocco.

The evaluation also pointed out that IESC's effectiveness was limited by the export orientation of the project. For example, IESC executives have been unable to assist firms in the service sector (such as banks, transport, or insurance firms) due to the source of project funding which restricted VE programming to export activity.

Under the current VE program, firms using IESC services are required to pay fees under a cost-sharing mechanism. While this helps ensure long-term sustainability of the program and is an essential element of direct assistance programs for for-profit firms, the evaluation suggested that this limited IESC's access to smaller firms who cannot afford the fee schedule.

Another constraint addressed in the earlier evaluation was the IESC's lack of official organizational status in Morocco. IESC staff and (occasionally) VEs have to leave the country every three months to renew visas. While this has increased costs slightly it does not seem to have limited IESC's effectiveness.

C. Trade and Investment Service (TIS) Program

In 1989, the Cooperative Agreement was modified to add the TIS program. It became fully operational in July 1989. This program was designed to take advantage of IESC's market contacts and networking potential for U.S. investors. As of June 1991, the program had expended approximately \$600,000 and produced exports orders estimated at \$5.1 million. Orders placed have largely been for food products, such as olives, tomatoes and sardines, but IESC is working on increasing orders in the artisanal sector, among others. Efforts to stimulate U.S. investment in Morocco in the form of joint ventures have been less successful but there are a number of negotiations in progress.

Currently, the TIS activity is completely supported by A.I.D. funds. No cost-sharing formula is being implemented. However, as the program becomes more established and well known, it may be possible to charge fees for setting up contacts between U.S. and Moroccan firms, which would enhance the sustainability of the activity.

IV. STATEMENT OF WORK

The contractor will field a team of two full-time evaluators, assisted by Moroccan consultants procured locally through subcontract (if sub-contracting is permissible under this IQC) or other arrangements, who will be responsible for the preparation and completion of the evaluation including, but not limited to, the tasks presented below. The evaluation will be retrospective, assessing accomplishments to date, as well as prospective, providing recommendations for possible changes in IESC approaches and methodologies that might be adopted in the planned future project.

A. Impact analysis

Objective: To analyze in detail the impact of both the VE and TIS programs upon increased exports, income, investment, factory level production, factory utilization, and job creation. What have been the tangible results of the IESC interventions? Can these be quantified and linked to firm-specific increases in exports, income, investment, production, increased factory utilization, employment or other registers of performance?

Methodology: The evaluators shall identify impact by examining the experience of individual firms as a result of IESC assistance (see Section A.1 below), by examining statistical data (see Section A.2 below), and by comparing the two. Different approaches will be required for VE and TIS assistance, given the nature of each program.

1. Firm-Level Survey

Approaching the task from the individual firm level, the evaluators will select a significant percentage (approximately 50%) of all firms assisted by the VE and TIS programs during all five years of the Cooperative Agreement. The approximate target number for total firms surveyed/interviewed will be no less than 60 companies, selected on a random basis. (For the five year period from June 1986 to June 1991 a total of 110 traditional VE assignments were completed while the TIS program has obtained export orders for approximately 17 companies in two years.) During the survey interviews, the evaluators will gather information on increased exports, increased factory level production, increased factory utilization, creation of new jobs and increased income.

The evaluators shall design survey instruments to identify and examine other surrogate or intervening variables in an effort to track IESC's past and potential impact. The evaluators shall undertake at least three analytical approaches: an assessment of demand for IESC services; an assessment of the readiness of assisted firms to act on the basis of IESC recommendations; and an assessment of at what stage in a client company's evolution IESC's assistance is most likely to have optimal impact.

a. Demand for Services

The evaluators will analyze demand for IESC services by number of requests for VE and/or TIS assistance, by the conversion ratio of requests vs. actual assistance provided, by number of VE/TIS person days of assistance per client firm, and other relevant indicators of demand. IESC's marketing efforts in Morocco should be closely analyzed to assist in making an assessment of potential market demand and the degree to which IESC is meeting this demand. Key factors affecting demand for IESC services shall be identified. Among factors to be considered shall be (1) IESC's fee schedule and (2) current limitations due to the restriction of IESC services to exporters only.

b. Implementation of IESC Recommendations

The evaluators shall examine on a case-by-case basis company decisions to launch new activities which are directly traceable to VE/TIS interventions in any function of the enterprise (organization and strategy, production, marketing, personnel, finance and administration) and track the impact of these decisions on exports, income, production, plant utilization, job creation or other variables reflecting IESC performance. For instance, in management, were new organizational structures put into place based on VE/TIS advice? In the production department, were new lines implemented subsequent to the IESC intervention? In the commercial department, were new marketing strategies adopted based on IESC recommendations?

The evaluators will describe qualitatively on a case-by case basis decisions to change the company's functioning based on VE interventions. (Survey reports will be included as an Annex to the final report.) They will then attempt to quantify both the cost to the firms, i.e., the amount invested to implement the decision, and the expected return to the firm of implemented interventions. The qualitative and quantitative information will be analyzed and presented along with findings, conclusions and recommendations in the evaluation report.

c. Stage of Firm's Development

Additionally, the evaluators shall correlate IESC interventions with performance indicators by looking at long-term historical data on assisted companies and analyzing the trends which may emerge. For example, when looking at the last ten years of the individual histories of IESC-assisted firms, do these firms tend to display rapid increases in exports, income, investment, productive capability, job creation or other meaningful variables identified in the two above exercises?

2. Comparative Statistical Analysis

In order to compare the performance of assisted firms and the performance of the Moroccan economy in general, the evaluations will look at available statistics and indices for the economy (and relevant subsectors) as a whole on manufactured exports, income, investment, factory level production, factory utilization, and creation of new jobs. Economy (subsector) performance, to the degree possible, will be compared to performance of IESC-assisted companies in the relevant subsectors, e.g., textiles/garments, agro-industry, etc., and conclusions will be drawn related to discernable impacts of the IESC assistance.

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- quantity / other
line
added

TIS

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B. Costs and Cost Effectiveness

Objective: To identify with precision the total costs of the VE and TIS programs (including the value of volunteered services), to identify the sources of funds which cover all costs, and to determine the cost effectiveness of resources expended during the course of the five-year period of the Cooperative Agreement.

Methodology: For these tasks, the evaluators will consult with IESC representatives in both Stamford, CT (IESC's U.S. headquarters) and Morocco and with USAID staff in Morocco. Relevant audit reports will be made available. Information related to client contributions will be incorporated into the survey/visits with client companies.

1. Costs

The Cooperative Agreement and project documentation in general focus largely on the IESC inputs financed by AID and do not show the complete picture of total costs for each IESC program (VE and TIS). The evaluators shall describe all costs, broken down by program, with indications of cost allocations where certain costs (e.g., management) cover both programs. All costs, including direct and indirect costs, will be identified. For the record, and to highlight the true cost effectiveness of the IESC programs -- cost effectiveness defined as achieving desired outputs at minimum level of cost -- the evaluators will place a value on volunteered contributions in the form of IESC volunteer executives assigned to work on the VE and/or TIS programs. Average costs per VE or TIS client assisted shall be presented with interpretations of cost variations among clients (e.g., person days of assistance provided, other special costs). Relevant costs will also be identified by location, i.e., costs incurred in Morocco and costs incurred in Stamford, CT.

2. Sources of Funds

The evaluators shall list all sources of funds to cover the identified costs. Sources include (a) resources available through the USAID/Morocco funded Cooperative Agreement, (b) client contributions, (c) in-kind contributions by IESC volunteer executives, and (d) funds provided by IESC/Stamford -- via access to A.I.D.'s centrally funded grant to IESC or other sources.

3. Cost Effectiveness

The evaluators shall examine all identified costs and provide an analysis of effective utilization of funds, i.e., whether expenditures incurred have been reasonably low to achieve the desired outputs and whether there are areas for any significant cost reductions or savings. Clearly, the advantage of relying on volunteered resources in the form of the in-kind contributions by VEs adds significantly to overall cost effectiveness.

4. ----- : Fees

The evaluators shall examine and describe IESC's structure of client fees charged for different services. In the evaluators' judgment, is the fee schedule for VE assignments adequate; i.e., is the current amount charged reasonable and affordable? Should adjustments be made to permit smaller firms to pay a lower fee? What will the market bear? With regard to TIS, where there have been no fees charged to date, the evaluators shall investigate and make recommendations on how appropriate fees for services might be charged in the future and make a judgment on the degree to which a TIS program could become self-sustaining.

C. Benefit/Cost Ratio

Based on the information gathered in the analyses of impacts (benefits) and costs, the evaluators will provide a best estimate of the benefit/cost ratio of the combined VE/TIS programs in Morocco as of the date the evaluation is performed, as well as B/C ratios for the VE and TIS programs by themselves. The methodology for determining quantifiable benefits for each program shall be described. Costs should be calculated to show cases for both "with" and "without" in-kind contributions by volunteer executives.

D. TIS Approach to Export and Investment Promotion

Objective: To describe in detail the step-by step process that has contributed to the results of the TIS Program. Are increased export orders under the TIS activity the result of a process that can be replicated and sustained into the future? For how long? To what degree has TIS results to date relied on the effort of current TIS staff? Could this staff be replaced with equally effective individuals?

Methodology: The evaluators will review the project documentation and extensively interview those involved with the TIS program to delineate clearly the process of the TIS activity. Work will be conducted both in Stamford and in Morocco. After describing the TIS process in detail, the evaluators will offer recommendations on the effectiveness of the overall TIS methodology and how it should be continued or adjusted assuming that a TIS program will continue to receive support under the planned new project.

Based on this description and the results of the preceding analysis, the evaluators shall analyze TIS potential for generating fee income and the long-term commercial viability of such a program. If prospects for commercial sustainability are positive, the evaluators will outline the next steps to realize this potential. The evaluators will also examine the investment promotion side of the TIS program and recommend any measures to improve it.

Section D shall be drafted as a stand-alone document and shall be translated into French.

E. Overall Achievement of Original Project Objectives

Objective: The Private Sector Export Promotion Project was originally designed to address multiple needs of the Moroccan export sector. In the context of the overall job to be done, the evaluators shall analyze the degree to which the IESC Cooperative Agreement has succeeded in meeting those needs.

Methodology: The evaluators should use the Project Paper as the principal source document in which the needs of the export sector were articulated. A summary of some of the principal needs is contained in Attachment D.

F. Miscellaneous Requirements

The evaluators shall also complete the following miscellaneous tasks:

- o Review the ^{Guidance PP}~~Guidance cable from AID/Washington~~ on the IESC follow up project and ^{Suggest}~~evaluate~~ any recommendations or strategies as required.
- o Complete the the standard A.I.D. Evaluation Summary (to be provided by USAID/Morocco) and attach as an Annex to the final report.
- o Update the project Logical Framework and include it as an annex to the final report.

V. METHODS AND PROCEDURES

The evaluation is planned for completion over a six-week period. About three weeks of this period will be allotted to intensive field work and data collection. The evaluation team will collect the information necessary for the report through various methods including:

- o Review of studies and literature on Morocco and the Moroccan economy;
- o Review of documents pertaining to the project and the Cooperative Agreement, including prior evaluations and audits;
- o Interviews with IESC personnel in Stamford, CT and in Morocco, as well as with USAID/Morocco officers associated with the project;
- o Field visits/surveys with approximately 60 Moroccan firms as outlined in Section IV.A, above.

USAID/Morocco is located in Rabat and IESC/Morocco in Casablanca. Firms assisted by IESC are located throughout Morocco, including locations in Fes, Agadir and Meknes. The contractor should be prepared to coordinate travel for team members to different locations within the country. Public transportation (airlines, trains, intercity taxis and buses) is available as are rental cars.

The contractor should note that a six-day working week will be authorized under this work order.

The language of commerce in Morocco is French, which is widely spoken in all major urban areas. However, many Moroccans speak limited French and the Moroccan dialect of Arabic is the predominant language. All team members must have a minimum French language ability at the FSI S3/R3 level. Arabic language capability would be useful but is not required.

The contractor will arrange for necessary services of a local Moroccan firm or individuals to facilitate the conduct of the evaluation, particularly the survey/visits to client companies. The local capacity thus acquired should also be able to translate section D of the Statement of Work of the report into French.

VI. COMPOSITION OF THE EVALUATION TEAM

The evaluation team will be composed of two principal members, a team leader and an expert in export promotion and private sector development. The team leader shall have a record of successful prior experience in conducting project evaluations, including work as a team leader. The second individual should have relevant skills in economics needed for the design and conduct of the impact, cost, benefit/cost and other analyses presented in the Statement of Work. Both individuals should have demonstrated experience and familiarity in working with projects involving private sector firms as beneficiaries.

VII. REPORTING REQUIREMENTS

A. Format of the Report

The evaluation team will prepare a written report containing, at a minimum, the following sections:

- Basic Project Identification Sheet (see attached format);
- Executive Summary (no more than 3 pages typed single spaced);
- Body of the report, ~~following the outline of the~~ Statement of Work (with separate attention paid to the IESC VE program and the IIS program);
- A section presenting conclusions and recommendations; and
- Appendices, including the following:

- o Evaluation Scope of Work;
- o Description of evaluation methodology;
- o Bibliography
- o Reports of Call
- o A.I.D. Evaluation Summary Form

o *Scope of Work*

b. Work Schedule

Week One: Prior to departing the United States, the two principal evaluation team members will schedule a two-three day visit to IESC headquarters in Stamford, CT in order to interview relevant staff involved with the VE/TIS programs in Morocco and gather data and information. The full team will arrive in Morocco prior to the end of Week One and receive briefings from USAID/Morocco, review project documentation and select local consultants.

Weeks Two through Four: During this period the evaluation team will conduct all surveys/interviews with IESC-assisted companies. Close involvement with USAID/Morocco staff will be sought to insure that progress toward meeting the expected results of the evaluation is being made.

Week Five: An interim draft report will be submitted to the Mission for review and comment at the start of Week Five. Based on feedback received, the contractor shall prepare and submit to the Mission a final draft evaluation report prior to the end of Week Five.

Week Six: The final draft evaluation report will be presented verbally by the contractor at a meeting at the USAID/Morocco office during the first half of Week Six. Prior to departing Morocco, and based on the results of the formal review meeting, the contractor shall incorporate necessary changes in the final draft document and leave ten copies of this document with the Mission. Subsequently, a final report will be produced by the contractor at its home office and transmitted to the Mission in twenty copies. The final report should reach USAID/Morocco no later than December 15, 1991.

Drafted:PDPE:7/30/91:0123G

BASIC PROJECT IDENTIFICATION DATA

1. COUNTRY: MOROCCO
2. PROJECT TITLE: PRIVATE SECTOR EXPORT PROMOTION PROJECT
3. PROJECT NUMBER: 608-0189
4. PROJECT DATES:
DATE OF FIRST PROJECT AGREEMENT:
DATE OF INITIAL COOPERATIVE AGREEMENT:
DATE OF FINAL OBLIGATION UNDER COOPERATIVE AGREEMENT: FY--
PROJECT ASSISTANCE COMPLETION DATE: 6/30/93
COOPERATIVE AGREEMENT TERMINATION DATE: 6/30/92
5. COOPERATIVE AGREEMENT FUNDING:
A.I.D. BILATERAL (GRANT/LOAN): \$4,040,000 (G)
OTHER MAJOR DONORS:
HOST COUNTRY CONTRIBUTIONS:

TOTAL:
6. MODE OF IMPLEMENTATION: COOPERATIVE AGREEMENT
7. PROJECT DESIGN: (Organizational names of those involved in the design of the project).
8. RESPONSIBLE MISSION OFFICIALS:

MISSION DIRECTOR: CHARLES JOHNSON (1986-May 1990)
LINDA MORSE (Acting May 1990-Sept 1990)
DENNIS CHANDLER (Sept 1990 to present)
PROJECT OFFICER: GEORGE CALLEN (June 1986-Sept 1988)
MICHAEL HUFFMAN (Sept 1988-May 1990)
GRANT MORRILL (Oct 1990 to present)
9. PREVIOUS EVALUATION : MID-TERM PROJECT EVALUATION, April 1990
10. COST OF PRESENT EVALUATION:

	<u>Person Days</u>	<u>Dollar Costs</u>
a) Direct Hire:		
-AID/W Staff		
-USAID Staff		
b) Contract:		
c) Other:		

PROJECT BACKGROUND

An Historical Perspective

The Private Sector Export Promotion project was initiated in May 1986 with a life-of-project funding of \$20,000,000. The project comprised three major components; creation of a new export credit insurance facility, an export pre-financing credit facility for small and medium-sized enterprises and the Cooperative Agreement with IESC. The project was later modified in response to the recommendations of a mid-term evaluation and the Pre-financing component was reduced in size and an export loan guaranty fund was created (June 1990). Currently the Private Sector Export Promotion project is authorized at \$29,400,000 and is due to terminate on June 30, 1993.

- o The goal of the project is to increase the export earnings of Morocco's private sector firms, and hence, to strengthen Morocco's capacity to service its debt and finance its investments for development.
- o The overall purpose of the project is to increased exports by Morocco's private sector.
- o The project sub-purpose for the export assistance component is
 - to improve the export production and marketing capacity of beneficiary firms;
 - to improve the capacity of the Moroccan Center for Export Promotion to service private exporters; and
 - to stimulate the development of joint ventures between and the Moroccan and foreign private sectors, especially the U.S. private sector, and to develop Moroccan private sector export trade, primarily toward North America.

Morocco began its push to increase exports at the beginning of the 1980s. The 1970s were characterized by, as in much of the Developing World, import-substitution policies. An early major step in Moroccan export promotion was the establishment of the Moroccan trade promotion organization, the Centre Marocain de Promotion des Exportations (CMPE). This organization was set up concurrent with the commencement of a series of World Bank structural adjustment loan and I.M.F. stand-by agreements,

Taking its cue from the progress made by the World Bank and I.M.F., U.S.A.I.D. started to develop a private sector export promotion effort. A landmark study in the project development effort was the U.S.A.I.D./Morocco-financed Coopers & Lybrand study (November 1984) which thoroughly researched the export manufacturing industry, identified its constraints and opportunities, and delineated a wide range of possible project interventions.

The rationale for U.S.A.I.D.'s involvement in the export oriented manufacturing sector was based on a number of factors:

- o I.M.F./I.B.R.D. suggested reforms in industrial incentives had been apparently successful in motivating increased export production and this success was projected to continue.
- o Moroccan policy makers seemed to have little alternative to an outward orientation for domestic economic growth because domestic growth could not be fueled by Morocco domestic markets. Outward orientation was critical to raise production, improve capacity utilization and generate new income and jobs.
- o Analysis demonstrated that Morocco's export oriented enterprises tended to be the most efficient users of capital resources and also showed reasonably strong levels of gross profitability in Moroccan industry.
- o Export-oriented industries appeared to have the greatest potential for near-term job creation.
- o Some private sector manufacturers were already significant exporters and others were expected to respond quickly to new opportunities and inducements in trade policies.
- o Export was hoped to provide Morocco with a sustainable source of foreign exchange to service its external debt, finance imports and investment for long-term development.
- o Export promotion was also a measure to correct the legacy of import substitution policies which, based on tariff barriers and subsidies, discouraged investment in export industries, resulted in numerous inefficiencies and caused inappropriate uses of scarce resources.

In terms of project interventions, U.S.A.I.D. set its sights on satisfying four over-arching needs prevailing in the context of Moroccan export promotion. The first prevailing need was to establish a new autonomous export credit insurance institution with private sector participation in ownership and management. This effort has been largely successful and has resulted in the current day 50% privately owned Société Marocaine d'Assurance à l'exportation (SMAEX).

The second need was to find a financial instrument that would permit additional credit for exporters within the context of recently liberalized credit ceilings. The project paper established a pre-financing credit facility. This facility did not meet its objective and funds were reprogrammed to create a loan guarantee fund for small and medium exporting firms. This fund was inaugurated in June 1990.

The over-arching need was to provide on-site assistance to private companies to resolve pragmatically various production and marketing problems constraining increased exports. The response to this need has become the purview of a traditional IESC Program, the subject of this evaluation.

Finally, the fourth need was to assist exporters to increase sales to foreign markets via a results-producing export promotion organization. The CMPE was started with European Economic Community-financing. The Irish Export Board, which was the model for the highly successful Hong Kong Trade and Development Council, conducted a marketing study in 1982 for the CMPE. During project design, the Mission contemplated ambitious undertakings to assist companies increase sales overseas. One, expounded in the Coopers & Lybrand report, was a private trade corporation which would buy Moroccan goods for its own account and sell them overseas. Another was an aggressive private export company which would, for a fee, assist companies to take on appropriate export markets.

- B Evaluation Methodology
- VE Survey Instrument
 - TIS Survey Instrument
-

METHODOLOGY OF THE EVALUATION

I. The VE Program

The impact of the traditional VE program for the period July 1986 through September 1991 was to be measured through a detailed survey of a large sample (at least 50%) of the IESC client firms. A review of the list of VE projects disclosed that 89 export production projects and 11 export marketing projects were completed. It was believed that the export marketing projects were not conducive to survey work because these projects usually involved more than one firm. Often the projects were the execution of a series of seminars with business associations. Projects of less than ten days duration were also eliminated.

Approximately 70 firms remained on the list. (Some firms applied for and received more than one VE project.) These firms were then placed on the list for one of the survey groups. Two local survey groups were recruited in Casablanca, provided with the survey instrument which we had developed, trained in a number of training sessions to be sure they understood the methodology, and given 25 to 30 firm names, together with the data from the IESC project file to schedule appointments for their surveyers. One group was able to complete 18 surveys; the second group completed 17 surveys.

All companies that were located outside of the Casablanca area were selected for surveys by the two members of the evaluation team. The remainder of the list of 52 projects (45 firms) was drawn from that list. As a practical matter, the winnowing down of the lists was in large measure determined by the logistics and the willingness of the client to meet with the survey teams.

The survey instrument was heavily weighted towards obtaining quantitative data on the firm's performance. See copy of the survey instrument attached to this Appendix. Had these data been made available, we would have had to draw some inference with respect to the cause-effect relationship of the firm's performance and the work of the VE. In fact, the quantitative data was rarely made available by the firm.

As the report indicates, we were privileged to obtain company specific performance data for production, exports, employment, investment and value added. This data was then aggregated for 60 IESC assisted firms by sub-sector and then compared with the performance of the sub-sector as a whole. The data covered the years 1986 to 1990 inclusive. That data is analysed in Appendix H and I of this report.

The survey work yielded a reasonably accurate report of the client's perceptions of the VE project, and allowed us to classify the VE projects as "successful, partially successful, and seriously deficient." Case studies of five successful projects were written up and included in the report.

Finally the evaluation team did an institutional analysis of the IESC delivery system, consulting with IESC staff in Casablanca and Stamford and relevant USAID staff in Rabat. Both institutions provided documents which were the source of the project cost data used in the report.

TIS Program

IESC Stamford and Casablanca staff provided the evaluation team with a list of 22 TIS clients and the actual shipments made through the TIS marketing associates during the 27 month period of the project. We then prepared a survey instrument (see attached) and selected 15 of these 22 companies for the survey. The basis for selection was partly the importance of the client's performance, partly the desire for selection of diverse product lines and partly as a result of logistic constraints. All 15 of the firms selected were personally visited and interviewed by one of the two members of the evaluation team.

Limitations of the Analysis

We should point to some of the limitations of the study. The most critical is that, with respect to the VE projects, it is not at all clear that it is possible to measure VE impact by aggregate company performance data. Some VEs perform discrete services that can be measured in terms of implementation of the final recommendations made by the VE to the client. But whether these actions will show up in the performance data of the firm, and further, whether that data can be validly compared with time series data to establish the VE impact, is doubtful.

We should also point out that companies tend to resist providing performance data to surveyers. Our efforts were not successful. Were it not for the fact that we were able to secure company specific data from the National Accounts Industrial Survey Data Bank, we would not have been able to meet the requirements of the scope of work.

We also have some concern that the zealous pursuit of data from IESC clients may have a negative impact on the program.

SURVEY QUESTIONNAIRE
IESC (CISE) VOLUNTEER EXECUTIVES PROGRAM, MOROCCO
(OCTOBER - NOVEMBER 1991)

A - Basic Data on Company and Technical Adviser program(s):

Company Name: _____

Telephone: _____

Address: _____

Name of Person Interviewed: _____

Position with the Company: _____

Were you with the firm when it began operations? _____
Were you with the firm when it received IESC assistance? _____

Firm History:

Size of firm: _____

Year firm began operations in Morocco: _____ Year firm began exporting: _____

Is firm foreign owned, locally owned or joint venture? _____

According to the information in our files we understand that the description of your firm and your line of business is as follows:
D'après le dossier, la description de votre entreprise et de vos opérations se resume de la façon suivante :

Production Sector:

Textiles/garments _____
Agro-industry _____
Fishing and processing _____
Paper goods _____
Chemicals/plastics _____
Other _____

Cost of IESC Program:

Client contribution _____
USAID contribution _____
Other _____
Total cost _____

IESC SERVICES PROVIDED

According to our files the following technical assistance was provided to your firm:

D'après le dossier, la description de votre entreprise et de vos opérations se resume de la façon suivante :

Dates _____

Name of VE _____

Objective: _____

Final Recommendations of VE:

Dates _____

Name of VE _____

Objective: _____

Final Recommendations of VE:

- B - Company Performance Data:
Renseignements concernant la performance de l'entreprise : (TA yr : annee
de debut de l'assistance technique)

	(Annual Data)	
<u>-5yr</u>	<u>TA yr</u>	<u>1991</u>
		<u>+5 yr</u>

I - PRODUCTION

- * a) product mix (in units; specify Standard Industrial Classification codes)
(Indiquer le code SIC du produit)

- * b) Total Production Value
of which:

cost of imported materials
cost of domestic materials
cost of purchased subcomponents

- c) Identify any new products introduced within the past 3 years:

II - EXPORTS

- * a) Products (in units; indicate SIC product codes)

- * b) Gross FOB value

% import content
% de produit importe entrant
dans la composition du produit

- c) Destination of exports
by region (%)

% to U.S.

	(Annual Data)	
<u>-5yr</u>	<u>TA yr</u>	<u>1991</u>
		<u>+5 yr</u>

III - EMPLOYMENT

a) Number of Employees
 Factory labor (Ouvriers)
 Administration (Employes / cadres)

* Total

b) Salaries Paid

Factory labor (Ouvriers)
 Administration (Employes / cadres)

* Total

c) Number of Shifts (in 24 hours)

IV - INVESTMENT

* a) Gross Value of factory/machinery
 (at cost; not depreciated)
 Cout de l'usine/equipement
 (cout historique d'acquisition,
 sans amortissement/depreciation)

b) Major Equipment Purchases Since Technical Assistance
 Depenses majeures pour l'acquisition d'equipement depuis le debut de
 l'assistance technique

<u>Date purchased</u>	<u>Description</u>	<u>Cost</u>
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V - FACTORY UTILIZATION

a) Customer Rejection Rate
 (% of production)
 Taux de rebus des clients

b) Investment in R&D
 (% of production)
 Investissement en recherche
 et developpement

c) Energy Consumption
 (in average month)
 (moyenne/mois)

Cost
 KWH

- d) Indicate any Major Plant Layout Changes Since TA
Avez-vous effectue des changements importants au niveau de l'organisation physique de votre usine depuis le debut de l'assistance technique ?

VI - QUALITATIVE CHANGES IN COMPANY SINCE TA
CHANGEMENTS QUALITATIFS AYANT AFFECTE L'ENTREPRISE DEPUIS LE DEBUT DE L'ASSISTANCE TECHNIQUE

- a) New Technology Acquired or licensed, or Joint Ventures Undertaken:
(describe and indicate source and date)
Acquisition / licence de nouvelle technologie ou signature de joint venture
(decrire et indiquer l'origine et la date)
- b) New Management Systems Introduced (i.e., business planning, cost accounting, storage and materials handling, MIS, equipment maintenance, quality assurance;)
Introduction de nouveaux systemes de gestion
- c) New Marketing Agreements
(describe and indicate source and date)
Nouveaux accords de commercialisation
- d) Changes in Relationship With Suppliers
Changements dans les relations fournisseurs (ex. collaboration avec certains fournisseurs pour les aider a ameliorer leurs standards de qualite)
- e) Changes in Relationship With Customers
Changements dans les relations clientele (ex. nouvelles facilites de credit)
- f) Changes in Relationship With Competitors
Changements dans les rapports concurrence
- g) Value of IESC Assistance to Company
Avantages retires par votre entreprise de l'assistance technique du CISE
- Positive factors:
- Were the VE's skills matched to your company's needs?
Adaptation des competences de l'expert CISE aux besoins de votre entreprise?

VE's generally bring with them knowledge about the markets and contacts, the latest technology and sources of technology, and the production processes and practices of your international competition. Did your VE have this knowledge? _____. Which type of expertise did you find most useful? _____.

En principe, l'expert CISE apporte une connaissance des marchés, des contacts d'affaires, des technologies de pointe, des méthodes de production et des pratiques de la concurrence internationale pour un secteur déterminé. Est-ce que votre expert CISE avait ce type de compétence ? Quel type d'expertise avez-vous trouvé le plus utile ?

-Negative factors:

Was there a problem in language communication? _____ What did your firm do to overcome the language problem?

Avez-vous eu des problèmes de communication linguistique ? Si oui, quelles dispositions avez-vous prises pour les résoudre ?

What difficulties (if any), did you have in negotiating with the IESC management?

Avez-vous rencontré des difficultés dans vos rapports avec la direction du CISE?

- Which two actions or recommendations made by the Volunteer Executive did you find to be of greatest value to your company?

Quelles sont les deux actions ou recommandations de l'expert CISE qui ont été les plus utiles à votre entreprise ?

- How did you implement those recommendations? For example, in management, where new organizational structures put into place based on VE advice? In the production department, were new lines implemented? In the commercial department, were new marketing strategies adopted?

Comment avez-vous mis en œuvre ces recommandations? Par exemple, au niveau de la gestion, est-ce que de nouvelles mesures ont été adoptées sur base des conseils de l'expert? Au niveau de la production, est-ce que de nouvelles lignes ont été mises en place? Au niveau commercial, est-ce que de nouvelles stratégies de marketing ont été adoptées?

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-As you know, the program is heavily subsidised by the U.S. Government. If it were necessary to increase the fees, would you consider it worthwhile to participate? _____ What is the market value of the VE service on a cost per day basis? _____ What is the normal fee charged by local Moroccan engineers or industrial consultants who are retained to do similar work? _____ Has your firm retained local consultants in the last two years? _____ If so, what was the fee per day? _____

Comme vous le savez, le programme est largement subventionné par le gouvernement américain. Si une augmentation de votre contribution financière était requise, estimeriez-vous toujours utile de faire appel aux services du CISE? A combien estimez-vous les prestations d'un expert du CISE (valeur du marché, exprimée en jour) Quel est le coût normal pour des prestations similaires par un bureau d'études au Maroc? Avez-vous utilisé ce type de service au cours des deux dernières années? Si oui, quels étaient les honoraires journaliers?

-In retrospect, what would you have changed in your program?
Retrospectivement, qu'auriez-vous pu faire pour améliorer cette expérience?

- h) On what do you base your expansion projection for year +5?
Sur quels facteurs basez-vous vos projections d'expansion pour les cinq années à venir?

EVALUATOR'S ASSESSMENT

- DID YOU FIND ANY "NUGGETS"?

- Other personal comments:

SURVEY QUESTIONNAIRE
IESC (CISE) TRADE AND INVESTMENT PROGRAM, MOROCCO
(OCTOBER - NOVEMBER 1991)

A - Basic Data on Company and TIS Assistance program(s):

Company Name: _____

Telephone: _____

Address: _____

Name of Person Interviewed: _____

Position with the Company: _____

Were you with the firm when it began operations? _____
Were you with the firm when it received IESC assistance? _____

Firm History:

Size of firm: _____

Year firm began operations in Morocco: _____ Year firm began exporting: _____

Is firm foreign owned, locally owned or joint venture? _____

According to the information in our files we understand that the description of your firm and your line of business is as follows:

Production Sector:

Textiles/garments _____
Agro-industry _____
Fishing and processing _____
Paper goods _____
Chemicals/plastics _____
Olives and oils _____
Other _____

Cost of TIS Program:

Client contribution _____
USAID contribution _____
Other _____
Total cost _____

IESC SERVICES PROVIDED BY TIS

According to our files the following technical assistance was provided to your firm:

D'après le dossier, la description de votre entreprise et de vos opérations se resument de la façon suivante :

Dates _____

Name of VE _____

Objective: _____

Approach taken by TIS and your Company:

B - Company Performance Data:
Renseignements concernant la performance de l'entreprise : (TA yr : annee
de debut de l'assistance technique)

	(Annual Data)	
<u>-5yr</u>	<u>TA yr</u>	<u>1991</u>
		<u>+5 yr</u>

I - PRODUCTION

* a) product mix (in units; specify Standard Industrial Classification codes)
(Indiquer le code SIC du produit)

* b) Total Production Value
of which:

cost of imported materials
cost of domestic materials
cost of purchased subcomponents

c) Identify any new products introduced within the past 3 years:

II - EXPORTS

* a) Products (in units; indicate product codes)

* b) Gross FOB value

% import content
% de produit importe entrant dans la composition du produit

c) Destination of exports
by region (%)

% to U.S.

	(Annual Data)	
<u>-5yr</u>	<u>TA yr</u> <u>1991</u>	<u>+5 yr</u>

III - EMPLOYMENT

a) Number of Employees
Factory labor (Ouvriers)
Administration (Employes / cadres)

* Total

b) Salaries Paid

Factory labor (Ouvriers)
Administration (Employes / cadres)

* Total

c) Number of Shifts (in 24 hours)

d) % Women Factory Labor
% Women Administration

IV - INVESTMENT

* a) Gross Value of factory/machinery
(at cost; not depreciated)
Cout de l'usine/equipement

(cout historique d'acquisition,
sans amortissement/depreciation)

- b) Major Equipment Purchases Since Technical Assistance
Depenses majeures pour l'acquisition d'equippement depuis le debut de
l'assistance technique

<u>Date purchased</u>	<u>Description</u>	<u>Cost</u>
-----------------------	--------------------	-------------

V - FACTORY UTILIZATION

- a) Customer Rejection Rate
(% of production)
Taux de rebus par les clients
- b) Investment in R&D
(% of production)
Investissement en
recherche et developpement

VI - CHANGES IN COMPANY SINCE TA

CHANGEMENTS AYANT AFFECTE L'ENTREPRISE DEPUIS LE DEBUT DE L'ASSISTANCE TECHNIQUE

- a) - Please tell us something about the operations of your company prior to the TIS assistance. What was the nature of your export effort. What were your major obstacles to exporting, particularly to the U.S. markets?

- b) - What was the origin of your decision to use TIS?

- c) - Please tell us what occurred. Specifically, what actions were taken by your company and others in the course of the TIS program. How did these actions lead to exports?

- d) In your opinion, what is the unique contribution made by TIS, that you were not able to accomplish on your own?

as

e) - Do you believe TIS could be structured so as to be of greater assistance to firms like yours? Could you suggest ways for TIS to have been more helpful to you?

f) - Have you entered into any new overseas marketing agreements? What is their nature and duration? What is unique about them?

g) - Have you recently acquired new technology for your firm? Please describe.

h) - Have you introduced new management systems or made such organizational changes as introduce a quality assurance department? Please describe.

i) - Are there any other programs (by the Gov't or by Business Associations or international development institutions) that are available to you to accomplish export growth? Do you take advantage of these services?

j) - Are there sources of commercial, technical and international market information which you normally use or to which you can obtain access if you wish?

k) - Have recent changes in government policies and regulations had a major impact on your export performance? If so, describe.

l) - In your opinion, what are the key obstacles that remain to your increased export performance? Is financing a problem for your company?

m) - What is the normal fee charged by local Moroccan engineers or industrial consultants who are retained to do similar work? _____ Has your firm retained local consultants in the last two years? _____ If so, what was the fee per day? _____

n) - Do you still require assistance under TIS? If so, what assistance is still required? Is there a reason that your company cannot purchase the needed assistance on its own? If TIS were to charge service fees, what would be your response?

o) - Impacts that are external to your company.

Does the change in your company's export performance seem to have an effect on your competitors?

Does it act as a demonstration to them of what can be done?

Has the TIS effort by your company had any effect on changing government regulations or policies?

Has it had an effect in creating new Moroccan companies that also produce and export similar products?

Has the new export effort had any effect on your suppliers?

j) How do you foresee your company's export expansion during the next 5 years? On what factors do you base these projections?

C Bibliography

APPENDIX C

BIBLIOGRAPHY

"Export and Investment Promotion: Sustainability and Effective Service Delivery", AID Evaluation Special Study Report No. 71. July 1991.

"Government of Morocco - Annual Trade Statistics". Bureau de Change. 1986, 1987, 1988, 1989, 1990.

"Government of Morocco - Industrial Survey Data for 1986". Ministry of Commerce. 1986.

"Government of Morocco - Industrial Survey Data for 1987". Ministry of Commerce. 1987.

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"Government of Morocco - Industrial Survey Data for 1989". Ministry of Commerce. 1989.

"Government of Morocco - Industrial Survey Data for 1990". Ministry of Commerce. 1990.

"IESC Cooperative Agreement for Activities Under USAID Morocco Project 608-0189."

Project Document. USAID Morocco Private Sector Export Promotion Project (608-0189). July 1986.

Project Document - Amendment 1. USAID Morocco Private Sector Export Promotion Project (608-0189). July 1989.

D Reports of Call

APPENDIX D

Reports of Call

Abdenbi, Louitri	- LMS Conseil, Consultant en Marketing
Al-Mizyen, Amal S.	- Dallah Group & Albaraka, Regional Manager
Barton, Dimitri	- Corps International de Services des Experts, Directeur Général
Brahim, Agouzzal My. Messaoud Ben	- Les Huileries de Meknes, Persident Directeur General
Brahim, Boubkry	- LMS Conseil, Consultant en Marketing
Burns, Richard	- USAID, Chef de la Division de l'Elaboration des Projets et du Secteur Privé
Coyle, Melissa D.	- C & M International, Ltd.
Damir, Mohamed	- Société de Banque et de Crédit, Sous Directeur Adjoint Direction de L'exploitation
Driss, Ghalimi My	- Ets Agouzzal & Cie, Directeur Commercial
Ej Baze, Mustapha	- Formation - Organisation & Conseil de Societes, Docteur d'Etat en Gestion
Hammou, Hmouri	- Les Huileries de Meknes, Directeur Financier
Kazmy, S.K.A.	- Lotissement Fondation Hassan II
Lakhdar, Abdelghani	- Office Des Changes, Sous Directeur
Louraoui, Latifa Essakalli	- U.S. Department of Commerce, Commercial Specialist
Najiya, Filali	- LMS Conseil, Cadre Marketing
Naolia, Harkett	- LMS Conseil, Marketing

Sokoloff, Boris Jr.	-	International Trade, Investments and Services, Inc., President
Starett, Samuel D.	-	U.S. Department of Commerce, Commercial Attaché
Sullivan, David M.	-	Corps International de Services des Experts, Director T.I.S.
Taleb-mouh, Ali	-	Agouzzal Quartier Industriel Essaouira, Chef de Production
Zouhair, Benabdellah	-	Royale Industrielle Marocaine Huilerie Conserverie d'Olives Fruits et légumes, Administrateur

E AID Evaluation Summary Form

CLASSIFICATION (IM 3:43)
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-4

1. PROJECT TITLE Private Sector Export Promotion		2. PROJECT NUMBER 608-0189		3. MISSION/AID/W OFFICE USAID/Morocco	
		4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) X <input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION			
5. KEY PROJECT IMPLEMENTATION DATES A. First PRO-AG or Equivalent FY _____ B. Final Obligation Expected FY _____ C. Final Input Delivery FY _____		6. ESTIMATED PROJECT FUNDING A. Total \$ _____ B. U.S. \$ _____		7. PERIOD COVERED BY EVALUATION From (month/yr.) <u>July 1986</u> To (month/yr.) <u>Sep. 1991</u> Date of Evaluation Review _____	
8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR					
A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., telegram, BPAR, PIO, which will present detailed request.)			B. NAME OF OFFICER RESPONSIBLE FOR ACTION		C. DATE ACTION TO BE COMPLETED
9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT		
<input type="checkbox"/> Project Paper <input type="checkbox"/> Implementation Plan e.g., CPI Network <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Financial Plan <input type="checkbox"/> PIO/T _____ <input type="checkbox"/> Logical Framework <input type="checkbox"/> PIO/C <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Project Agreement <input type="checkbox"/> PIO/P _____			A. <input type="checkbox"/> Continue Project Without Change B. <input type="checkbox"/> Change Project Design and/or <input type="checkbox"/> Change Implementation Plan C. <input type="checkbox"/> Discontinue Project		
11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)			12. Mission/AID/W Office Director Approval Signature _____ Typed Name _____ Date _____		

PROJECT EVALUATION SUMMARY USAID MOROCCO PRIVATE SECTOR EXPORT PROMOTION - PROJECT 608-0189

Summary

This is an evaluation, performed in November 1991, of IESC activities funded under USAID Morocco's Private Sector Export Promotion Project (No.608-0189) covering the period July 1986 to September 1991.

The project had three components, all aimed at increasing exports by the private sector. IESC was asked to address one of those components through a Cooperative Agreement, "...to improve the export production and marketing capacity of beneficiary firms, to stimulate the development of joint ventures between the Moroccan and foreign private sectors, especially the U.S. private sector, and to develop Moroccan private sector export trade, primarily toward North America."

The Cooperative Agreement was funded at \$4,040,000 to pay for about 130 traditional IESC Volunteer Executive (VE) projects to assist specific Moroccan firms to expand export production and marketing, and also to assist the Moroccan Government's export promotion agency (CMPE) provide services to the export sector. The project (and the IESC Cooperative Agreement) was amended in 1989 to drop support for CMPE and instead, to inaugurate an independent Trade and Investment Services (TIS) program to generate private sector exports toward North American markets and to stimulate joint ventures.

Evaluation Methodology

The purpose of this end-of-project evaluation was to measure the impact of the IESC managed VE and TIS programs on increased exports, income, investment, factory level production and plant utilization, and job creation. The evaluation was also intended to provide guidance to USAID in structuring a follow-on activity utilizing the resources of IESC to support private sector development in Morocco during the period 1992 to 1997.

Company data was collected by surveying a sample of 52 clients out of 100 completed VE projects and 15 out of the 22 company clients of the TIS program. Company specific performance data was also obtained from the Moroccan Ministry of Commerce.

External Factors

There are strong indications that Moroccan producers perceive the domestic commercial environment to be improving. Those exporters who have traditional ties to European markets are worried that they will be shut out of the European Community after 1992 and are searching for new markets, particularly North America.

This will require new trade links to untested markets and an image of reliability as an international supplier. Our survey of TIS clients, as well as other firms, confirmed that these concerns are a strong motivator to them to search for new markets.

Inputs

No changes needed.

Project Outputs

The project outputs for the relevant components, as revised by Project Paper Supplement No. 1 dated July 1989, were:

- "1. Management and technical skills will be improved in approximately 130 firms assisted by the IESC.
- "2. Improved information and services will be provided by the CMPE.
- "3. Studies and activities supporting export promotion will be undertaken.
- "4. 1-3 joint type ventures completed between Moroccan and U.S. private sectors.
- "5. \$2-4 million in Moroccan exports developed."

A minor shortfall may have occurred in project output 1., in that the number of firms directly assisted by VEs may be less than 130. However, the 11 Export Marketing projects were activities involving more than one firm per project. We count 89 firms that have received "one on one" assistance through the VE program as of September 30, 1991. It may be of greater significance that the quality of assistance received by the firms may not have been on a par with normal IESC expectations.

Project output 2. does not appear to have been achieved.

It would appear that all three of the remaining project targets have been achieved or exceeded. We believe as much or more than was hoped for by those who approved the project in 1986, with respect to this element of the project and its impact on Morocco's export growth, has been achieved. Morocco export statistics are available only for 1990. We believe the 1991 statistics may begin to reflect the impact of this project, particularly with respect to exports to the U.S.

Outputs for TIS Program

The investment of about \$900,000 to date by USAID to fund TIS for the past 27 months, places this activity among the most effective private sector export promotion

efforts on record. As of September 30, 1991, TIS can document 22 exporters who have been assisted in obtaining firm, valid export orders (not all, as yet, shipped) in the aggregate amount of \$ 6,558,333.76 to the U.S. under this program.

The survey data suggests that the Moroccan producer perceives TIS' most important contribution was the contacts and referrals provided to them to U.S. importers/brokers and the credibility which they derived from association with TIS in dealing with the U.S. broker.

TIS clients do not perceive TIS as having played a major role in their investment decisions. But the observed reality indicates that TIS has indeed generated new investment by its clients, and seems to be close to achieving two joint ventures. We also believe the new export flows to the U.S. derived from the TIS program, are reaching backwards to impact on other segments of the Moroccan industry.

TIS is performing the services and covering costs that are characteristic of "entry costs" to penetrate a new market. Only after a sufficiently large flow of product has been established, will the normal brokerage commission sustain interest by the broker and TIS assistance will no longer be required.

Outputs for Traditional VE Program

(1) Over the five year period ending September 30, 1991, the VE program carried out 100 VE interventions, of which the firm level impact survey covered a sample of 52 interventions for 45 firms. The survey revealed that out of 52 export production projects, approximately 20 can be considered successful, 17 partially successful and 15 seriously deficient.

(2) From the firms' perspective, the critical factors in the success or failure of a VE intervention depended on how well the VE's skills matched the client's problems, the VE's ability to adapt to local situations, successful timing of the VE intervention, the level of energy the VE displayed, the VEs ability to communicate in spite of the French language barrier, and preparation and duration of the VE intervention.

(3) A quantitative analysis of the performance of 60 IESC-assisted firms, grouped into ten sectors was undertaken to compare their performance (measured in growth of production, exports, employment and investment) with the comparable sector as a whole. Statistical comparisons among this data do not reveal any clearly distinguishing characteristics of the IESC-assisted companies, in terms of their performance vis-a-vis their sector, to suggest any implicit collective impact from the VE program. However, we performed a similar analysis of performance data for ten IESC assisted companies in the food, textile and paper products industries, that were classified as having been the beneficiary of "successful" VE assistance projects. That analysis did reveal improvement in their production and export performance for the food and textile industry clients that exceeded the average for their sub-sectors.

(4) Overall, one cannot draw a positive conclusion about the effectiveness of the VE program. 100 American Volunteer Executives have worked with a large segment of the Moroccan industrial producers and exporters over the past 5 years. There are a few outstanding success stories, some with large and direct benefits to the firm, and indirect benefits to the economy. But overall impact is not evident or statistically verifiable.

(5) One reason for the less than optimum impact is that IESC management did not exercise adequate controls to resolve individual problems as they arose. The problems festered and eventually caused the program to yield less than optimum results from some of the program's investment.

(6) Lack of continuity in the IESC management due to the turnover of six Country Directors in the relevant five year period has had negative effects on the program. In spite of the superior quality of some of the Country Directors, the lack of continual day-to-day management of an acceptable normal quality is the single most important cause of the substandard program impact.

(7) Regrettably, the evaluation findings indicate that IESC Casablanca management before, during and after the VE intervention have been inadequately performed during the life of the Cooperative Agreement. IESC management of the program was weak in monitoring VE programs to solve operational problems that impeded the VE's effectiveness with the client. It did very little to follow-up with the client, some period of time after the departure of the VE. This has resulted in little follow-through on VE recommendations on the clients' part. Sound management of these functions might have yielded a higher return on the rather substantial USAID investment in this program. It also might have avoided the unusual number of negative responses from clients which our survey revealed.

The problems of IESC program management were the worse confounded because USAID attempted to overcontrol the management of the activity. This resulted in diversion of focus from substantive tasks to administrative matters, and impacted negatively on performance.

Purpose

See Outputs section above. This activity was a component of the Export Promotion Project.

Goal/Subgoal

See Outputs section above.

Beneficiaries

This project focussed on private sector growth stimulation, export expansion, and thereby, stimulation of employment opportunities among the export sector.

Unplanned Effects

None are perceptible at this stage.

Lessons Learned

"For want of a nail the war was lost." An excellently designed program, utilizing outstanding talent from the U.S. business community, failed to impact on the Moroccan private producers because the management of the program was poor. USAID should not lose itself in the administrative detail of funds management at the price of achieving substantive output from the project.

The TIS program tested a new approach to export development. The pilot effort appears to have succeeded beyond the fondest hopes of the original project designers. It may well become a model for future activities in export promotion.

F Revised Project Logframe

APPENDIX F

Revised Project Logframe

The project logframe was originally prepared in January 1986, at the time of approval of the original project. When the project was amended in 1989, to incorporate the Trade and Investment Services (TIS) component, and to add \$1.5 million to the IESC Cooperative Agreement, the logframe was not revised.

The evaluation team has made changes in the logframe, to reflect the current status of the IESC component only. We are not in a position to describe the current status of other project components.

PROJECT DESIGN SUMMARY

LOGICAL FRAMEWORK

LIFE OF PROJECT: FY 86 to FY 91
 Total U.S. Funding: \$10,000,000
 Date Prepared: January 1986
 REVISED: December 1991

Title & Number: Private Sector Export Promotion (606-D189)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>or Sector Goal: The broader to which this project see:</p> <p>see the export earnings of a private sector firms, and to strengthen Morocco's capacity to its debt and finance its nts for development.</p>	<p>Measures of Goal Achievement:</p> <p>Mean net present value of additional exports earnings estimated at \$114 million over the period 1987 to 1991.</p>	<p>Official trade statistics (Ministry of Finance, GOM)</p>	<p>Assumptions for achieving goal targets:</p> <p>International markets remain open to Moroccan goods.</p>
<p>Purpose:</p> <p>see exports by Morocco's sector.</p> <p>see: expand export credit insurance expand export prefinancing o small and medium-sized firms users. improve the export production eting capacity of beneficiary d improve the capacity of to service private exporters.</p> <p>v) To stimulate the development of joint ntures between te Moroccan and foreign ivate sectors, especially the U.S. ivate sector, and to develop Moroccan ivate sector export trade, primarily wards North America.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>Beneficiaries' exports increases as a result of project assistance</p> <p>(i) New facility insures at least 20% of insurable national exports</p> <p>(ii) Approximately 150 new users obtain prefinancing credit</p> <p>(iii) Project beneficiaries lower costs of production, increase sales of exports and expand to new buyers.</p> <p>(iv) More joint ventures develop between Moroccan companies and foreign companies</p>	<p>Trade statistics; Project reports</p>	<p>Assumptions for achieving purpose</p> <p>GOM's will to maintain reforms continues. Moroccan firms adapt to competitive export behavior.</p> <p>GOM does not impede private sector export growth.</p>

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Project Title & Number: Private Sector Export Promotion (608,0189)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Magnitude of Outputs:		Assumptions for achieving outputs:
(i) An efficient privatized export credit insurance organization established	(i) - 50% of new organization is owned by private sector. - Time for processing applications and claims decreases. - New organization makes final decision on at least 50% of credit applications. - New types of insurance policies issued in response to exporter's needs. - Reinsurance agreements established with non-governmental entities.	Records of: Banque du Maroc Insurance facility Statistics of: Office des Changes Banque du Maroc TA contractors' reports	Moroccan firms are willing to purchase services of industrial specialists
(ii) Export prefinancing credit facility established for small and medium-sized firms and new users	(ii) - \$8 million allocated to firms meeting specified eligibility criteria. - Additional authorizations for short-term prefinancing credit aggregate at least \$10 million over a five year period.		
(iii) Management and technical skills improved in firms assisted by the IESC.	Approximately 115 firms were assisted by the IESC.		
-- Improved information and services provided by the Moroccan Center for Export Promotion.	App. 11 seminars/workshops held for exporters - 2-3 promotional packages developed for specific Moroccan industries.		
-- Studies and activities undertaken to support export promotion.	- 10 subsector surveys were completed		
-- 1 to 3 joint ventures completed between Moroccan and U.S. private sectors		Project Reports	
-- \$2.4 million in Moroccan exports developed	More than \$8.5 million in exports were generated		

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Project Title & Number: Private Sector Export Promotion (606-014)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:	Implementation Target (Type and Quantity)		Assumptions for providing inputs:
<u>AID</u>			
<ul style="list-style-type: none"> - Loan to fund reserves of export credit insurance organization..... \$8.8 million - Grant to support development and establishment of new organization..... \$1.2 million - Loan to establish prefinancing credit facility..... \$6.0 million - Grant to IESC for technical assistance to Moroccan exporters..... \$4.0 million 		USAID financial records	Sufficient ESF availability
SUBTOTAL.....	\$20.0 million		
<u>COM</u>			
<ul style="list-style-type: none"> - Contribution to capitalization of export credit insurance organization..... \$1.0 million - Office space, secretarial services, and counterpart for long-term advisor at CNPE (app. value)..... \$0.1 million - Legal and administrative assistance in establishing new organization. - Administration and monitoring of newly created financing facility. 			
SUBTOTAL.....	\$1.1 million		
<u>Private Sector</u>			
<ul style="list-style-type: none"> - Contribution to capitalization of export credit insurance organization..... \$1.0 million - Fees-for-services for IESC consultants..... \$0.7 million 		IESC Financial Records	
SUBTOTAL.....	\$1.7 million		
TOTAL.....	\$22.8 million		

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Project Title & Number: Private Sector Export Promotion (608-0189)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Activities:			
(i) Export Credit Insurance <ul style="list-style-type: none"> - Transfer existing program to a new independent entity. - Establish a real reserve fund - Streamline administrative and operating procedures. - Develop marketing program. 			
(ii) Export Prefinancing Credit <ul style="list-style-type: none"> - Establish new eligibility criteria to target small and medium firms and new users. - Improve credit approval methods. 			
(iii) Production and Marketing Assistance <ul style="list-style-type: none"> - Provide firm-specific consulting services to exporters. - Assist CMPE in developing export promotion packages for Moroccan export industries. - Organize and conduct export seminars and workshops. - Design and implement studies and export-promotion activities. - Identify technical needs in export sector and design a more in-depth strategy for AID assistance. - Facilitate linkages between Moroccan exporters and U.S. importers and assist in "closing the deal" 			

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G Listing of VE Projects

<u>IESC Number</u>	<u>Volunteer Executive</u>	<u>Firm/Client</u>	<u>Firm's Location</u>	<u>Manufacturing Sub-sector</u>	<u>Year Est'd</u>	<u>No. of Employees</u>	<u>Included in Sample Survey</u>
17532		CARSUD	Agadir	Corrugated cartons	1982	30	—
17680	Martin, K.	Chems Souss	Agadir	Paper & boxes			—
17785	Burkart, J.	INDUSCO	Casablanca	Rugs			—
17779	Baumann, A.	COELMA	Yetouan	Chemicals			—
17752	Sisselman, S.	Confectior	Casablanca	Garments	1975	386	X
17691	Galvin, J.	Sefita	Major cities	Holding Company		10,000	X
17897	Schuetz, H.	OPDM	Casablanca	Chemical products	1939	170	X
17632	Gladstone, S.	Prysm	Casablanca	Trading Company	1988	5	—
17397	Bergeron	Margafrigue	Casablanca	Margarine production	1988	15	X
17577	Eanes, K.	COPAPH	Casablanca	Pharmaceuticals	1987	5	X
18085	Rugenstein, R.	Ketina	Casablanca	Ski parkas	1988	150	X
18219	Russel, J.	Sefita	Meknes	Spinning and weaving	1943	580	X
18379	Johnson, G.	Aiguebelle	Casablanca	Candle makers	1949	80-100	X
18419	Sweeney, T.	Bombino Confort	Fes	Flexible polyurethane foam	1980	150	X
18819	Smith, W.	Ampexfleurs	Casablanca	Flower Cutting	1980	150	—
18070	Thorbjorn, S.	Cellulose du Maroc	Rabat	Wood pulp for paper	1952	559	—
18191	Kushner, H.	Polymedic	Casablanca	Pharmaceuticals	1953	300	X
17163	Grossman, B.	ICOMAIL	Casablanca	Garment manufacturing	1973	900	—
18552	Waldkirch, O.	ICOMAIL	Mohammadia	Garment MFG	1947	1100	—
18441	Wilkerson, V.	NASCOTEX	Tanger	Garment/Store Wear	1968	900	—
19049	Metzig	SOCATRAP	Casablanca	Paper Bags/School Stationery	1979	90	—
19077	Ebanietti	SGMP	Casablanca	Pharmaceuticals			X
18882	Owens,	CCIC	Casablanca	Chamber of Commerce			—
19218	McDowell	Chimicolor	Casablanca	Paints	1933		X
18380	Kaplan	SPEAG	Casablanca	Essential Oils	1986	30	X
19076	Stock	Boutaj	Casablanca	Shoes	1969	360	X
19048	Hopper	Biscuiterie de Meknes	Casablanca	Biscuits	1970	80	—
19437	Menck, R.	NASCOTEX	Tanger	Spinning/Weaving	1968	900	—
19400	Cohen, J.	MAEX	Marrakech	Garment/M.F.G.			—
18683	Butler, W.	Sté Marital Plast	Meknes	Stratified, Panels	1976	90/110	—
19324	Chand	Caplam	Casablanca	Rubber/plastics			—
19358	Seldner	Azbane Cosmetics	Casablanca	Perfumes/cosmetics	1977	250	X
19553	Gitelman	BMCE					X
19279/07	Becker	Cableries du Maroc	Casablanca	Electric wire/cables	1962	183	X
19783	Koths	Florasud	Casablanca		1990	70	X
19635	Hilty	OFEC	Casablanca	Fairs/expositions			—
19359	Pettengil	Azbane	Casablanca	Perfumes/cosmetics	1970	250	X

try to March 1991: EVACUATION -- NO PROJECTS
1 to September 1991

18826	Gygax, F.	Richbond	Casablanca	(Garments)	1990	62	X
20070	Pisula, V.	Clinique Tingis	Tangiers	Medical Clinic			X
19968	Reed, W.	Al Baraka	Casablanca	Investments			X
20421	Law, E.	Ogden Maghreb					X
20145	Stevenson, R.	SO THEMA Laboratoires	Casablanca	Pharmaceuticals	1976	170	X
19886	Malone, R.	SOFICOTEX	Tanger	Blanket M.F.G.	1979	120	—
20487	Maher, A.	Ets. Agouzzal & Cie	Essaouira	Canned Fish	1967	70 permanents	X
20860	Oullen, R.	Huilleries de Meknes	Meknes	Oil/Olives/Canned Pickles	1943	800-1200	X
20622	Edge, W.	Litho Typo Marocaine	Casablanca		1935	120	X
19724	Dalton, R.	SOFT	Casablanca		1980		X
19962	McMahon, B.	SAFRIPAC	Tanger	Paper Mill	1976	160	X
20312	Lurie, H.	Menara Confection	Marrakech	Garments/Sports Wear	1989	160	X

IESC Number	Volunteer Executive	Firm/ Client	IESC Volunteer Executive Interventions by Year Completed			No. of Employees	Included In Sample Survey
			Firm's Location	Manufacturing Sub-sector	Year Est'd		
15331		COFITECH					—
15332		COFITECH					—
15182	Hammett, I	Texnord Fabrics	Fes	Textile/clothes	1961	650	—
15286	Conlan	Cafes Ennasr	Casablanca	Coffee/Beverages	1957	100	X
15330	Heller	Tisbrod Textiles	Casablanca	Clothes/Furnishing Embroidery	1959	450	X
15338	Weiner, A	AMIT Trade Mission	Casablanca	Trade	1960		—
15631	Rhoton, A	Uniconfort Maroc	Casablanca	Polyurethane foam	1973	450	X
15747	Wammenhoven	COVEM	Azzemour	Canned/frozen foods	1981	150	X
16016	Thornton, J	Omnium Mar. de Pêche	Tan Tan	Fleet/Fish processing	1978	1400	—
15746	Lowen, G	COVEM	Azzemour	Canned/frozen foods	1981	150	X
15905	Ballo, M	Omnium Mar. de Pêche	Tan Tan	Fleet/Fish processing	1978	1400	—
15679	Morris, R	CMOP	Kenitra	Cartons and paper	1949	850	X
16085	Sisselman, S	Securit	Casablanca	Garments	1963	160	—
15565	Wilder, C	FICOMA	Casablanca	Fish and fish products	1948	8	—
15488	Burner, R	Modulec	Sale	Electro-mechanical	1980	60	—
15632	Rich, J	Carnaud	Casablanca	Metal cans	1929	1000	X
15678	Dittmar, S	CMOP	Kenitra	Cartons and paper	1949	850	X
16086	Fogle	FICOMA	Mohamedia	Blue denim fabrics	1961	400	—
16087	Tishler, W	ANFATEX	Casablanca	Garments	1969	200	—
16216	Earle, S	BIMO	Casablanca	Cookies, Wafers & Biscuits	1981	150	X
16383	Morris, R	CMOP	Kenitra	Cartons and paper	1949	850	—
16499	Hammett, I	MOULITECH	Casablanca	Synthetic yarns	1969	420	X
15337	Boyle, J	AMIT	Casablanca	Moroccan Textile Inds Assoc	1960		—
16056	Weiner, A	AMIT	Casablanca	Moroccan Textile Inds Assoc	1960		—
16089	Jones, C	SASMA	Casablanca	Fruit and Veg Coop Assoc.	1968	170	—
16374	Touloukian, Z	IMEC	Casablanca	Natl Packaging and Proc Inst	1973	50	X
16248	McSloy, J	Accu Tecna	Casablanca	Mechanical/Electrical Indust.	1948	170	X
15903	Snapp, J	Metaghreb	Mohamedia	Gas cylinders	1977	180	X
15512	Lewis, R	S/Produits de la Mer	Agadir	Fish and fish products	1974	100	—
16017	Michaelson, E	AMIT	Casablanca	Moroccan Textile Inds Assoc	1960		—
16584	Weiner, A	AMIT	Casablanca	Morocco Trade Assoc. Proposal	1960		—
16752	Sims, W	SASMA	Casablanca	Fruit and Veg Coop Assoc.	1968	170	—
16926	Wilder, C	FICOMA	Casablanca	Canning Manufacturers' Ass.	1984	8	—
16212	Geris, J	Matiplas	Casablanca	Plastic covered fabrics	1984	24	X
16364	Landreth, E	De Vinci	Casablanca	Garments	1975	450	X
16556	Armstrong, E	IBOMA	Casablanca	Knitting/garments	1956	450	X
16753	Schwarz, A	SEFITA	Meknès	Yarns	1943	580	X
16899	Weiner, A	AMMOR	Tangiers	Garments	1987	0	—
17160	Lewis, L	Grandes Marques	Agadir	Fish canning	1952	180	—
17207	Weiner, A	FARAH	Tanger	Garments (Govt uniforms)	1964	80	—
17256	Weiner, A	TOP FOOD	Marrakech	Garments	00	00	X
16761	Knokey, D	Bois de l'Atlas	Meknès	Wood, wood products	1972	450	—
16981	Weimer, G	Polymedic	Casablanca	Pharmaceuticals	1953	300	X
16777	Melnert, K	SATCOMAR, S.A.	Settat	polyurethan Isolants	1985	10	—
16895	Eanes	COPAPH	Casablanca	Cosmetics, pharmaceuticals	1987	5	X
17220	Rubin, G	Conserveries de Meknès	Meknès	Fruits jams and jellies	1962	72	X
17049	Gopen, A	SIBOS	Meknès	Garments	1983	420	—
17114	Davison, G	Global Trading Co.	Importer/Dist	consumer prods	1987	10	X
17224	Magill, D	SIFAP	Wrapping/packaging	paper	1978	70	—
17223	Schwarz, A	SEFITA	Meknès	Spinning and weaving	1943	580	X
17095		Benjelloun	Marrakech	Integrated raisin production	1988	50	—
17096		Pepelera Tetouan	Tetuan	Paper	1952	450	—

H Quantitative Impact Analysis of 60 VE Assisted Firms

.

FOOD INDUSTRY

BISCUITERIES DE MEKNES
BIMO
ETS AGOUZZAL
STE TOP FOOD MOROCCO
AGOUZAL "HUILERIES DE
MEKNES"
LES CONSERVES DE MEKNES
COVEM
LES GRANDES MARQUE LA
CONSERVE
SOUS PRODUIT DE LA MER
OMNIUM MAROCAIN DE PECHE
CAFES ENNASR
MARGAFRIQUE

GARMENT INDUSTRY

MAEX
CONFECTION FARAH
ICOMAIL
CONFECTOR
SIBOS
DEVINCI
VETEMENTS SECURIT
KETINA

WOOD AND WOOD PRODUCTS

BONBINO CONFORT
STE MNE INDUST STRATIFIES
DECO
STE MAGHREBINE DES BOIS
L'ATLAS
RICHBOND

METAL WORKINGS

CARNAUD MAROC
METAGHREB

CHEMICAL INDUSTRY

BOMBINO CONFORT
COELMA
SOTHEMA
POLYMEDIC
AZBANE EX MF FRANCE
UNI CONFORT MAROC "DOLIDOL"
CHIMICOLOR
COMARAL

TEXTILE INDUSTRY

SOCIETE SEFITA SOFICOTEXT
MASCOTEX EX (INGETEX)
TICOMA
INDUSCO
TEXNORD
STE SOFT
TISBROD
ANFATEX
I B O M A
MOULITEX
MATIPLAS

LEATHER INDUSTRY

BOUTAJ

PAPER AND PAPER PRODUCT

SAFRIPAC
CELLULOSE DU MAROC
CMPE
CARTONS & EMBALLAGES CHEMS
PAPELERA DE TETOUAN
OGDEN MAGHREB
LITHO TYPO MAROCAINE
CARSUD
SIFAP
SOCATRAP

ELECTRICAL INDUSTRIES

MODULEC
CABLERIES DU MAROC

RUBBER AND PLASTIC

CAPLAM

MOROCCO – SECTOR GROWTH INDICATORS (1986–1990)
(IESC – Assisted Firms Compared with Total Sector)

INDICATORS	IESC – Assisted 12 Firms	% of Total Sector	FOOD % Annual Change	INDUSTRY Total Sector	% Annual Change	IESC – Assisted 12 Firms	TEXTILE % of Total Sector	INDUSTRY % Annual Change	Total Sector	% Annual Change
PRODUCTION (DH 1,000)										
1990	1135108	4.41%	27.83%	25757888	11.01%	963629	9.74%	–0.30%	9896407	12.48%
1989	887964	3.83%	–7.28%	23202770	5.21%	966532	10.99%	12.76%	8798289	10.61%
1988	957729	4.34%	7.86%	22053642	7.69%	857166	10.78%	21.97%	7954111	8.79%
1987	887942	4.34%	15.77%	20479439	5.11%	702762	9.61%	12.58%	7311475	7.95%
1986	767016	3.94%		19483902		624219	9.22%		6772870	
EXPORT (DH 1,000)										
1990	723288	13.92%	39.29%	5197492	25.15%	273749	8.88%	5.72%	3083080	8.29%
1989	519275	12.50%	6.11%	4153003	24.35%	258946	9.09%	24.35%	2847185	15.58%
1988	489358	14.65%	8.82%	3339733	14.91%	208235	8.45%	20.45%	2463332	3.84%
1987	449695	15.47%	10.16%	2906510	17.99%	172887	7.29%	5.88%	2372185	24.38%
1986	408209	16.57%		2463445		163282	8.56%		1907181	
EMPLOYMENT										
1990	3495	7.36%	9.25%	47460	2.66%	4724	8.66%	7.14%	54531	–0.75%
1989	3199	6.92%	9.40%	46230	1.34%	4409	8.02%	3.77%	54943	16.76%
1988	2924	6.41%	–11.21%	45619	4.67%	4249	9.03%	8.50%	47055	0.27%
1987	3293	7.56%	32.25%	43585	2.18%	3916	8.34%	–5.77%	46928	9.56%
1986	2490	5.84%		42657		4156	9.70%		42834	
INVESTMENT (DH 1,000)										
1990	68436	4.52%	49.96%	1515108	49.74%	45909	4.67%	–44.10%	983666	–9.46%
1989	45637	4.51%	63.43%	1011831	17.42%	82127	7.56%	–4.14%	1086401	34.24%
1988	27925	3.24%	16.46%	861723	28.08%	85677	10.59%	114.08%	809307	75.90%
1987	23978	3.56%	–44.62%	672782	–16.00%	40021	8.70%	–36.53%	460108	12.29%
1986	43298	5.41%		800931		63056	15.39%		409766	
VALUE – ADDED (DH 1,000)										
1990	386394	7.80%	–5.06%	4952135	16.69%	227983	8.68%	0.27%	2626399	5.88%
1989	406968	9.59%	2.38%	4243893	–19.23%	227368	9.17%	7.35%	2480492	6.40%
1988	397515	7.57%	3.61%	5254051	33.27%	211796	9.09%	4.55%	2331232	2.92%
1987	383672	9.73%	56.73%	3942530	8.97%	202579	8.94%	–0.77%	2265123	10.23%
1986	244797	6.77%		3618150		204161	9.94%		2054960	

MOROCCO - SECTOR GROWTH INDICATORS (1986-1990)
(IESC - Assisted Firms Compared with Total Sector)

INDICATORS	GARMENT INDUSTRY					LEATHER INDUSTRY				
	IESC - Assisted 8 Firms	% of Total Sector	% Annual Change	Total Sector	% Annual Change	IESC - Assisted 1 Firm	% of Total Sector	% Annual Change	Total Sector	% Annual Change
PRODUCTION (DH 1,000)										
1990	349735	6.01%	21.39%	5817705	46.41%	62589	2.86%	101.09%	2185585	12.47%
1989	288109	7.25%	5.18%	3973663	7.36%	31125	1.60%	85.40%	1943230	3.04%
1988	273910	7.40%	5.37%	3701118	18.49%	16788	0.89%	16.04%	1885869	20.38%
1987	259962	8.32%	29.85%	3123673	36.05%	14467	0.92%	3.34%	1566555	-4.77%
1986	200200	8.72%		2295950		14000	0.85%		1645070	
EXPORT (DH 1,000)										
1990	319615	6.30%	29.78%	5070402	46.97%	61110	4.86%	127.45%	1256237	29.57%
1989	246274	7.14%	0.98%	3450034	8.73%	26868	2.77%	147.93%	969569	11.56%
1988	243891	7.69%	2.98%	3172962	15.81%	10837	1.25%	501.05%	869071	52.48%
1987	236838	8.64%	33.79%	2739725	45.52%	1803	0.32%	-9.85%	569973	-13.25%
1986	177016	9.40%		1882721		2000	0.30%		657067	
EMPLOYMENT										
1990	2981	3.71%	2.83%	80249	24.49%	365	2.59%	68.98%	14082	4.26%
1989	2899	4.50%	19.40%	64463	29.70%	216	1.60%	1.41%	13506	-0.57%
1988	2428	4.89%	2.32%	49700	19.67%	213	1.57%	24.56%	13584	9.80%
1987	2373	5.71%	30.46%	41531	27.62%	171	1.38%	-11.86%	12372	5.55%
1986	1819	5.59%		32543		194	1.66%		11722	
INVESTMENT (DH 1,000)										
1990	15938	2.68%	-15.82%	594255	55.13%	768	1.13%	85.96%	67977	50.64%
1989	18933	4.94%	6.80%	383068	-5.53%	413	0.92%	230.40%	45124	-45.43%
1988	17728	4.37%	51.22%	405475	73.44%	125	0.15%	-80.41%	82692	-2.18%
1987	11723	5.01%	-1.13%	233781	45.83%	638	0.75%	0.00%	84535	42.87%
1986	11857	7.40%		160311		0	0.00%		59170	
VALUE-ADDED (DH 1,000)										
1990	69596	3.69%	-13.42%	1884921	37.10%	8342	1.49%	173.96%	560006	16.84%
1989	80384	5.85%	15.18%	1374827	23.49%	3045	0.64%	-38.60%	479274	2.08%
1988	69791	6.27%	14.53%	1113348	19.00%	4959	1.06%	12.58%	469527	4.31%
1987	60938	6.51%	36.36%	935552	37.52%	4405	0.98%	0.87%	450125	11.99%
1986	44689	6.57%		680319		4367	1.09%		401951	

MOROCCO - SECTOR GROWTH INDICATORS (1986-1990)
(IESC - Assisted Firms Compared with Total Sector)

WOOD AND WOOD PRODUCTS						PAPER AND PAPER PRODUCTS				
INDICATORS	IESC – Assisted 4 Firms	% of Total Sector	% Annual Change	Total Sector	% Annual Change	IESC – Assisted 10 Firms	% of Total Sector	% Annual Change	Total Sector	% Annual Change
PRODUCTION (DH 1,000)										
1990	335585	11.97%	0.32%	2803581	9.12%	1882845	42.64%	8.53%	4415450	13.40%
1989	334505	13.02%	15.68%	2569361	40.21%	1734804	44.55%	18.80%	3893809	14.41%
1988	289154	15.78%	18.65%	1832481	20.47%	1460309	42.91%	0.39%	3403452	7.55%
1987	243705	16.02%	2.81%	1521087	–1.59%	1454575	45.96%	8.93%	3164588	–1.27%
1986	237040	15.34%		1545710		1335349	41.66%		3205389	
EXPORT (DH 1,000)										
1990	17362	3.85%	–26.94%	450634	–7.91%	566050	91.45%	–4.49%	618948	–1.39%
1989	23764	4.86%	837.81%	489357	32.33%	592652	94.42%	–8.87%	627646	–4.79%
1988	2534	0.69%	3.56%	369798	14.26%	650324	98.65%	58.61%	659206	52.94%
1987	2447	0.76%	–36.06%	323655	3.15%	410027	95.13%	7.85%	431035	6.43%
1986	3827	1.22%		313775		380191	93.88%		404992	
EMPLOYMENT										
1990	1230	12.54%	18.27%	9811	6.27%	2512	22.32%	1.54%	11252	5.00%
1989	1040	11.27%	3.38%	9232	5.44%	2474	23.09%	–1.16%	10716	1.60%
1988	1006	11.49%	27.66%	8756	–2.40%	2503	23.73%	1.34%	10547	0.69%
1987	788	8.78%	–2.72%	8971	–8.88%	2470	23.58%	–4.15%	10475	3.11%
1986	810	8.23%		9845		2577	25.37%		10159	
INVESTMENT (DH 1,000)										
1990	64946	39.94%	8.64%	162596	14.56%	113827	38.51%	–7.29%	295575	1.28%
1989	59783	42.12%	163.64%	141927	102.87%	122782	42.07%	105.62%	291841	117.07%
1988	22676	32.41%	56.75%	69961	50.66%	59714	44.42%	–8.61%	134444	3.11%
1987	14466	31.15%	29.16%	46437	–38.11%	65341	50.11%	188.26%	130393	58.49%
1986	11200	14.93%		75028		22667	27.55%		82273	
VALUE – ADDED (DH 1,000)										
1990	73707	11.31%	20.87%	651525	7.61%	576450	46.42%	–9.98%	1241847	0.91%
1989	60978	10.07%	5.49%	605463	5.78%	640359	52.04%	10.18%	1230608	13.43%
1988	57802	10.10%	–6.82%	572400	19.15%	581196	53.57%	17.64%	1084888	13.26%
1987	62032	12.91%	39.34%	480417	18.34%	494053	51.58%	24.36%	957900	19.69%
1986	44517	10.97%		405954		397272	49.64%		800306	

MOROCCO – SECTOR GROWTH INDICATORS (1986–1990)
(IESC – Assisted Firms Compared with Total Sector)

INDICATORS	METAL WORKINGS					ELECTRICAL INDUSTRIES				
	IESC – Assisted 2 Firms	% of Total Sector	% Annual Change	Total Sector	% Annual Change	IESC – Assisted 2 Firms	% of Total Sector	% Annual Change	Total Sector	% Annual Change
PRODUCTION (DH 1,000)										
1990	595973	11.09%	21.39%	5374151	13.49%	256330	6.14%	18.50%	4174165	22.63%
1989	490964	10.37%	10.38%	4735315	10.50%	216312	6.35%	70.34%	3403983	40.51%
1988	444777	10.38%	6.22%	4285492	29.75%	126988	5.24%	63.96%	2422577	17.45%
1987	418724	12.68%	3.49%	3303010	-4.32%	77450	3.75%	16.76%	2062713	-1.71%
1986	404590	11.72%		3452278		66332	3.16%		2098580	
EXPORT (DH 1,000)										
1990	10514	5.55%	381.63%	189318	115.00%	0	0.00%	0.00%	1332031	43.78%
1989	2183	2.48%	13.64%	88054	-19.09%	0	0.00%	0.00%	926411	188.08%
1988	1921	1.77%	-14.92%	108835	163.70%	0	0.00%	0.00%	321578	25.35%
1987	2258	5.47%	25.24%	41273	-44.60%	0	0.00%	0.00%	256554	-9.82%
1986	1803	2.42%		74504		0	0.00%		284476	
EMPLOYMENT										
1990	835	4.96%	-9.92%	16846	2.73%	300	2.68%	19.05%	11178	6.14%
1989	927	5.65%	18.24%	16398	11.01%	252	2.39%	-4.91%	10531	5.40%
1988	784	5.31%	-1.75%	14772	3.90%	265	2.65%	13.73%	9991	5.31%
1987	798	5.61%	-1.48%	14217	-11.79%	233	2.46%	14.22%	9487	8.67%
1986	810	5.03%		16118		204	2.34%		8730	
INVESTMENT (DH 1,000)										
1990	66588	19.37%	173.51%	343727	91.25%	11003	37.36%	249.86%	29448	-82.06%
1989	24346	13.55%	76.31%	179724	-41.22%	3145	1.92%	288.75%	164147	55.19%
1988	13809	4.52%	-32.65%	305765	163.28%	809	0.76%	-94.50%	105774	-6.58%
1987	20502	17.65%	-51.62%	116136	-13.99%	14700	12.98%	10.19%	113219	54.62%
1986	42378	31.39%		135020		13340	18.22%		73223	
VALUE – ADDED (DH 1,000)										
1990	165100	11.83%	-16.05%	1395545	6.09%	29448	2.77%	13.55%	1061222	12.84%
1989	196656	14.95%	35.89%	1315489	13.12%	25933	2.76%	12.94%	940484	26.17%
1988	144712	12.44%	42.36%	1162895	28.36%	22962	3.08%	24.79%	745407	-0.07%
1987	101651	11.22%	-16.96%	905960	-1.05%	18401	2.47%	1.69%	745927	13.93%
1986	122419	13.37%		915545		18095	2.76%		654717	

MOROCCO - SECTOR GROWTH INDICATORS (1986-1990)

(IESC - Assisted Firms Compared with Total Sector)

INDICATORS	CHEMICAL INDUSTRY					RUBBER AND PLASTICS				
	IESC - Assisted 8 Firms	% of Total Sector	% Annual Change	Total Sector	% Annual Change	IESC - Assisted 1 Firm	% of Total Sector	% Annual Change	Total Sector	% Annual Change
PRODUCTION (DH 1,000)										
1990	620941	3.25%	-4.70%	19107548	51.13%	59343	2.51%	-44.99%	2368334	6.13%
1989	651550	5.15%	18.14%	12642853	-27.50%	107885	4.83%	12.90%	2231579	10.47%
1988	551528	3.16%	30.19%	17437774	40.92%	95558	4.73%	9.00%	2020035	7.82%
1987	423630	3.42%	3.06%	12374355	9.68%	87668	4.68%	60.02%	1873518	11.42%
1986	411063	3.64%		11282247		54785	3.26%		1681499	
EXPORT (DH 1,000)										
1990	142859	2.11%	-5.37%	6776735	49.91%	8500	4.02%	0.00%	211568	29.26%
1989	150961	3.34%	1468.91%	4520481	-45.66%	0	0.00%	0.00%	163671	32.03%
1988	9622	0.12%	198.73%	8319282	76.28%	0	0.00%	0.00%	123965	17.65%
1987	3221	0.07%	32.72%	4719439	9.77%	0	0.00%	0.00%	105372	50.66%
1986	2427	0.06%		4299331		0	0.00%		69941	
EMPLOYMENT										
1990	1287	5.88%	1.90%	21895	6.57%	498	5.83%	5.29%	8537	5.36%
1989	1263	6.15%	-8.61%	20545	1.00%	473	5.84%	12.89%	8103	-15.42%
1988	1382	6.79%	42.18%	20342	4.40%	419	4.37%	8.83%	9580	28.21%
1987	972	4.99%	-15.77%	19485	3.02%	385	5.15%	-11.09%	7472	0.90%
1986	1154	6.10%		18914		433	5.85%		7405	
INVESTMENT (DH 1,000)										
1990	33604	5.13%	52.67%	655101	-5.13%	1974	1.09%	0.00%	180727	49.94%
1989	22011	3.19%	8.71%	690519	-35.60%	0	0.00%	0.00%	120529	9.56%
1988	20247	1.89%	-46.31%	1072269	10.55%	0	0.00%	0.00%	110011	22.42%
1987	37714	3.89%	32.18%	969942	-25.96%	0	0.00%	0.00%	89862	37.79%
1986	28532	2.18%		1310001		669	1.03%		65216	
VALUE-ADDED (DH 1,000)										
1990	176050	5.30%	0.08%	3324174	19.34%	30679	3.76%	-8.14%	816377	15.62%
1989	175909	6.32%	15.41%	2785505	-30.21%	33397	4.73%	12.90%	706061	14.05%
1988	152415	3.82%	-40.48%	3991013	77.81%	29581	4.78%	3.74%	619086	3.43%
1987	256055	11.41%	133.77%	2244569	20.08%	28515	4.76%	11.63%	598572	7.68%
1986	109531	5.86%		1869175		25545	4.60%		555868	

I Quantitative Impact Analysis of 10 Successful VE Projects

APPENDIX I

FOOD INDUSTRY

BIMO
AGOUZAL "HUILERIES DE
MEKNES"
LES CONSERVES DE MEKNES
COVEM
CAFES ENNASR
MARGAFRIQUE

TEXTILE INDUSTRY

SOCIETE SEFITA SOFICOTEXT
TISBROD
I B O M A

PAPER AND PAPER PRODUCT

SAFRIPAC
OGDEN MAGHREB

MOROCCO – SECTOR GROWTH INDICATORS (1986 and 1990)
(IESC – Assisted Firms Compared with Total Sector)

INDICATORS	FOOD INDUSTRY					TEXTILE INDUSTRY				
	IESC ASSISTED 5 FIRMS	% OF TOTAL SECTOR	% CHANGE	TOTAL SECTOR	%CHANGE	IESC ASSISTED 3 FIRMS	% OF TOTAL SECTOR	% CHANGE	TOTAL SECTOR	%CHANGE
PRODUCTION										
1990	546559	2.1%	72.0%	25757888	32.2%	208761	2.1%	54.2%	9896407	46.1%
1986	317676	1.6%		19483902		135412	2.0%		6772870	
EXPORT										
1990	163987	3.2%	650.3%	5197492	111.0%	78986	2.6%	236.0%	3083080	61.7%
1986	21857	0.9%		2463445		23508	1.2%		1907181	
EMPLOYMENT										
1990	1318	2.8%	98.8%	47460	11.3%	1353	2.5%	-1.4%	54531	27.3%
1986	663	1.6%		42657		1372	3.2%		42834	
INVESTMENT										
1990	36880	2.4%	222.0%	1515108	89.2%	9909	1.0%	-0.4%	983666	140.1%
1986	11452	1.4%		800931		9947	2.4%		409766	
VALUE - ADDED										
1990	116151	2.3%	131.2%	4952135	36.9%	60523	2.3%	20.6%	2626399	27.8%
1986	50242	1.4%		3618150		50188	2.4%		2054960	

MOROCCO – SECTOR GROWTH INDICATORS (1986 and 1990)
(IESC – Assisted Firms Compared with Total Sector)

INDICATORS	PAPER AND PAPER PRODUCTS				
	IESC ASSISTED 2 FIRMS	% OF TOTAL SECTOR	% CHANGE	TOTAL SECTOR	%CHANGE
PRODUCTION					
1990	123757	2.8%	-7.0%	4415450	37.8%
1986	133065	4.2%		3205389	
EXPORT					
1990	70032	11.3%	7.5%	618948	52.8%
1986	65144	16.1%		404992	
EMPLOYMENT					
1990	268	2.4%	6.3%	11252	10.8%
1986	252	2.5%		10159	
INVESTMENT					
1990	4222	1.4%	108.8%	295575	259.3%
1986	2022	2.5%		82273	
VALUE - ADDED					
1990	27006	2.2%	4.2%	1241847	55.2%
1986	25921	3.2%		800306	

J VE Marketing Effort

IESC MARKETING EFFORT

	<u>1986</u> (6 months)	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991*</u>	<u>Total</u>
Telephone Contact	130	220	345	248	260	160	1363
Firms Interviewed	73	138	186	125	140	90	752
Projects Signed	19	42	48	36	40	25	210
Projects Completed	2	24	27	18	19	16	106

* to September 30, 1991

K French IESC Equivalent Program Description

The French Program ECTI (Echanges et Consultation Techniques Internationaux)

There are 15 bilateral Senior Executive Programs worldwide. These are provided by Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, the U.K., the U.S. and Sweden. The French ECTI (Echanges et Consultation Techniques Internationaux) is one of them.

The creation of ECTI was sponsored in 1974 by the French government. There are however, some operational differences. In concept, ECTI's program is broadly similar to the IESC's. The objective of both programs is technical assistance provided by retired volunteers executives. 85% of ECTI retired (or pre-retired) Executives are between 55 and 65 years of age. ECTI's geographic scope includes assistance to French SMEs (about 1/3 of ECTI's missions). LDCs receive 60% of ECTI missions; and the Maghreb countries, about 20%.

The Biannual Seniors Association Meeting held in Toronto in September 1990 provided some interesting comparative figures about the major Senior Executive programs. (see following table).

These figures reveal that:

1) ECTI is the only Senior Executive Program among the six to be entirely self-supporting by members and clients, and receive no government support.

2) It has a relatively large number of experts, 3,974, compared with other programs. IESC is by far the largest program with 12,438 volunteers;

3) The number of missions completed thus far for the year 1990 was 1,823, virtually the same as that of IESC with 1815.

Comparative Information About Major Senior Executive Programs
(year 1990)

	<u>IESC</u> <u>USA</u>	<u>ECTI</u> <u>France</u>	<u>BESO</u> <u>U.K.</u>	<u>CESO</u> <u>Canada</u>	<u>NMPC</u> <u>Holland</u>	<u>SES</u> <u>Allemagne</u>
<u>Financial Resources</u> (1.000 US \$)	18.000	1.180	906	6.216	2.400	1.900
*Government	60 %	0	71,4 %	82 %	93,3 %	46 %
*Grants	4 %	0	24,1 %	2,9 %	6,7 %	19 %
* Members, Clients and others	<u>36 %</u>	<u>100 %</u>	<u>4,5 %</u>	<u>15,1 %</u>	<u>0</u>	<u>35 %</u>
	100 %	100 %	100 %	100 %	100 %	100 %
<u>Number of Experts</u>	12.438	3.974	2.112	3.329	1.290	2.600
<u>Number of Missions</u> <u>completed</u>	837	1.823	155	1.815	258	433
*National	0	796	0	1.459	0	228
*Abroad	837	1.027	155	356	258	205

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ECTI in Morocco

The following provides some information about the Morocco operation. This is only fragmentary information based on one interview with an ECTI representative (the manager of Marocaine Vie insurance company), some impressions provided by a few of the IESC clients interviewed and a 1987 IESC brochure.

ECTI has no administrative structure in Morocco, but operates through a rather loose network of "representatives"; in particular the French Chamber of Commerce, and the Marocaine Vie Insurance Company in Casablanca.

These representatives play a marketing and linkage role with the ECTI Paris headquarters which centralizes the administration of the program (processing requests from Moroccan firms, etc).

The Procedure

The application procedure to receive an ECTI Expert is flexible and the first contact by the requesting firm can be done through letter, telex, telephone, a visit to ECTI's office in Paris, or through the ECTI representatives abroad. ECTI preselects one or more volunteers and submits the candidates to a client for a decision. Upon agreement, a contract is signed between the client, the volunteer, and ECTI.

Client Contribution to the Volunteer's Expenses

ECTI's client contribution, for travel and per diem expenses is similar to IESC's. There is a difference however in terms of travel cost, which are obviously less for a French volunteer. Also, it appears that few ECTI volunteers bring their wives to Morocco.

There is a major difference in administration of the two programs. The client has to pay, directly to the ECTI volunteer, his/her travel and per diem expenses. One of the IESC clients interviewed which had used ECTI services, remarked that this type of arrangement posed some administrative hurdle to the firm. Sending an air ticket to France requires justification to the foreign exchange authorities. The firm was also concerned about inquiries from the tax authorities regarding the per diem expenses which are paid directly to the volunteer.

ECTI does not require contributions by the clients for expenses on projects which are part of national or international development cooperation programs. Some projects, however, do require client contribution in terms of yearly membership.

ECTI Marketing

Based on our interview with the manager of the Marocaine Vie Company, (who is also the local ECTI representative) ECTI's project assistance in Morocco appears to be extensive. About 150 projects have been completed in 1990. The Marocaine Vie manager stated that much of this performance can be attributed to marketing efforts such as yearly parties held in Morocco's major cities. The parties are widely attended by French representatives, personalities, trade associations (such as the CNPF), the French employers associations and Moroccan businessmen. There may be some merit to such a marketing approach which allows French representatives and Moroccan businessmen to meet socially in a relaxed atmosphere.

L USAID Morocco Private Enterprise Development Activities

- Human resources development and improving the capability of indigenous training institutions to respond to the needs of the private sector with better trained professionals capable of managing Moroccan agribusiness and with more efficient and effective agribusiness related applied research and outreach services.
- Promoting greater risk taking on the part of firms during the initial phases of new product or market development, and strengthening research and development that supports agribusiness, through a Promotion and Investment Fund.

Further information on this project may be obtained from the USAID Office of Agriculture and Natural Resources (Tel 07 76.22.65).

V. Human Resources Development

While USAID has provided training opportunities in the U.S. for Moroccans for many years, training efforts are now being increasingly directed toward meeting training needs of the private sector. The Training for Development Project (\$28 million, initiated in 1991) will provide Master's level and short term managerial and technical training in the U.S., and short term managerial, business and English language training in Morocco, for about 15,000 participants. The majority of participants will come from the private sector. The project will also provide direct assistance to Moroccan training and educational institutions, including many which are privately owned, to improve management and other business related education and training in Morocco.

Further information on this project may be obtained from the USAID Office of Population and Human Resources (Tel 07 76.22.65).

VI. Privatization

USAID is assisting the Ministry of Economic Affairs and Privatization to implement its program of privatizing 112 state owned companies, banks and hotels. A long term advisor and short-term technical assistance and training are being provided through the International Privatization Group led by Price-Waterhouse.

VII. Energy Conservation

The Energy Demand Management Project (\$5 million, initiated in 1988) assists firms in reducing energy costs through energy audits, seminars and the establishment of a Moroccan private sector capacity in energy auditing and conservation. 12 firms have received energy conservation audits to date and 81 companies have participated in training workshops and seminars.

Further information on this project may be obtained from Projet Gem (Tel 07 75.56.47).

VIII. Other Activities

The Economic Policy Analysis Support Project (\$8.6 million, initiated in 1985) is strengthening GOM capabilities in the development, appraisal and implementation of market oriented reform policies. This project has supported the USAID efforts in financial market reform and privatization. Among the many other areas which have received technical assistance are price deregulation, the informal sector and trade liberalization.

The Development Studies and Technical Support Project (\$10 million, initiated in 1991) will support the identification and development of new policies, strategies and project initiatives. About 60% of the project activities will be in direct support of the private sector.

IX. Future Projects

For the future, USAID is considering projects in microenterprise development, foreign investment promotion, health care finance, privatization and financial market development.

October, 1991